0856-B-03

PREX 7.10:FBIS-EAS-92-210

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Daily Report

Annex

East Asia

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FBIS-EAS-92-210-A
Thursday
29 October 1992

JB 99-014224

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TL: Annex, 11-13; 38-45; 51✓

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East Asia
ANNEX

FBIS-EAS-92-210-A

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Japan

Italian Minister Supports Permanent UNSC Seat

OW2510062892 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 Oct 92 Morning Edition p 6—FOR OFFICIAL USE ONLY

[Report on an interview with Italian Foreign Minister Colombo by correspondent Nishikawa on 23 October in Rome]

[Text] Rome, 23 October—In an interview with NIHON KEIZAI SHIMBUN, Italian Foreign Minister Colombo (a former prime minister) discussed the structure and role of the UN Security Council [UNSC], saying: "The time has come to drastically reform the structure of the UNSC according to changes in the international situation," supporting Japanese and German requests for permanent UNSC membership. Concerning the northern territorial dispute between Japan and Russia—whose solution is now more difficult since Russian President Boris Yeltsin postponed his visit to Japan—Mr. Colombo said: "The issue should be resolved through negotiations between Japan and Russia." In this way, he expressed—although indirectly—his disapproval of stating the territorial issue in the political declaration to be issued at the G-7 summit talks (Tokyo Summit), scheduled for next year.

Japanese Foreign Minister Michio Watanabe has made it clear that the government aims to acquire permanent UNSC membership by 1995. Commenting on this, Foreign Minister Colombo said: "I understand the Japanese and German positions, that the two nations hope to obtain permanent UNSC seats (by reforming the UNSC structure)." He also said that veto power belonging to the permament UNSC members should be reviewed. He continued, saying it is desirable they be deprived of this power, showing his understanding of a plan "to increase the number of permanent UNSC members with no veto power." It is said that the plan has been studied within the Japanese Government. Mr. Colombo disclosed for the first time that Italy will also seek a permanent UNSC seat, together with Japan and Germany, if drastic reform of the UNSC is implemented.

On the northern territorial issue between Japan and Russia, Foreign Minister Colombo said: "(Because of such factors as the collapse of the former Soviet Union,) the time has come to settle the territorial dispute, which succumbed to the cold war structure." Meanwhile, he noted that other problems, including the issue of extending aid to Russia, have cropped up. He said that "to solve these issues is equally as important as (settling the Russo-Japanese territorial dispute)." The foreign minister commented that, although Italy is in a difficult financial situation, it has pledged and is providing large-scale economic assistance to Russia and the Ukraine.

The foreign minister commented on the issue of European Community (EC) unity, saying: "The Maastricht Treaty will not be revised." Through the adoption of guidelines to avoid a heavy concentration of power in the EC at the EC summit talks, which will be held in Edinburgh, in the United Kingdom in December, the 12 EC members—including Denmark—will be able to again move together toward unification, the foreign minister said.

Finance Minister Hata Interviewed on Policies

OW2810143892 Tokyo BUNGEI SHUNJU in Japanese Nov 92 pp 190-200—FOR OFFICIAL USE ONLY

[Interview with Finance Minister Tsutomu Hata by staff writers: "Economic Upswing Is Not Everything"—place and date not given]

[Text] [BUNGEI SHUNJU] The depression we are now experiencing is lasting longer than expected. What is the real cause of this depression? How do you analyze the present economic situation and the business trend of Japan?

[Hata] I should say that, after all, the present economic situation has been caused by the collapse of the bubble economy. We may consider the depression either as the cost of, or a reaction to excessively high growth.

In order to prevent further expansion of the bubble economy, we set forth such measures as regulation of loans for land, and created taxes on the price of land. The price of land decreased as a result. At the same time, latent profit turned out to be latent loss, and the price of stock declined gradually under this situation.

During the period of the bubble economy, the price of land soared rapidly and, for a time, people used to say that "the value of a plot of land the size of the Imperial Palace is equivalent to the value of the State of California," or that "we can buy land 1.5 times the size of the whole United States if we sell Tokyo." The land price rise in Japan was also pointed out by the United States to be extraordinary. Taking an example within the country, while the cost of improvement of the bullet train line—or the so-called "construction of three lines and five sections" now being planned—is 1.6 trillion yen, the cost of land for construction of a 1 km road in a certain district of Tokyo is as high as 1 trillion yen. If it turns out that the cost of construction of a one or two kilometer road in Tokyo is equivalent to the cost of improvement of the national bullet train network, it is impossible to carry out public projects in Tokyo. If the bubble economy was to be left as it was, the economy would have been distorted considerably. Under the circumstances, it was necessary to burst the bubble economy in order to restore a sound economy.

The second reason which required us to change the course of the bubble economy was the fact that, in the international community, the export structure of Japanese industries characterized by "expansion of the share" and "small profits and quick returns" was not to be permitted any longer. Because of the problem of trade imbalances with all countries, and being criticized by many foreign countries for "exporting unemployment," it became necessary for Japan to change its traditional way of doing business. It was time for Japan to convert the structure of its economy to high quality and high profit-earning products for export in small quantities. The time happened to overlap with the time the so-called industrial restructuring began, which also meant that it was unavoidable for the Japanese economy to undergo the adjustment. In other words, we should see it as a necessary step for the Japanese economy to undergo the adjustment in order to realize "constant growth without inflation."

Thus, as a result of the correction of the bubble economy through national policy, the asset deflation I mentioned before has been brought about. Under this situation, it has become necessary for enterprises to adjust equipment investment which had so far been made for the purpose of promoting production and efficiency. Also, private sector demand had started to decline with the demand for the consumer goods such as cars and televisions, which used to maintain a high level during the period of the bubble economy, coming to a halt. As people say that "50 percent of the economy is influenced by psychology," there is a considerable psychological aspect in the economy. People tend to refrain from buying, should it turn out that "the business condition is somewhat stagnant." An executive of a local bank told me that "if people fuss about the depression in Tokyo, the wave of depression eventually surges to the rural districts." For example, if the production index of rice is 102 percent (compared to the figure of the previous year), then cars and cameras sell well. If the index turns out to be 98 percent, then even a "yukata" [apparel similar to a bath robe] does not sell. If the tendency toward cooling-off of personal consumption becomes more apparent, then it also becomes necessary to adjust production. It seems that this pattern has been spreading the sentiment of depression little by little, finally bringing about the serious sentiment of depression which we are experiencing today.

Natural Impetus of the Economy

[BUNGEI SHUNJU] It has been said that the bubble economy was originally brought about by the failure of national policies such as monetary policy and others. What is the government's response to such criticism?

[Hata] When the Plaza Accord was concluded in 1985, I was a cabinet member as Minister of Agriculture, Forestry and Fisheries. Our belief at that time was that "if the yen continued to be strong, then the Japanese economy would be ruined." It is true that, to cope with the total stagnation of the economy, we reduced the official rate and also carried out emergency economic measures to stimulate business activity.

Besides, in those days, a number of foreign enterprises as well as U.S. enterprises were planning to set up operations in Japan and, domestically, there was also the tendency for local enterprises to have their head offices in Tokyo, thus creating the prospect that the demand for office space in the central area of Tokyo would largely increase. In addition, the Resort Act had been enacted to meet the public trend of giving importance to vacations. Large scale investments for land were made throughout the country as, favorably, the rate of interest was low, and the financial institutions were able to fully meet the demand for funds. That was the beginning of the bubble economy.

Though, in retrospect, many people today criticize the bubble economy, nobody pointed out at the time that "the interest rate should be raised." Though it may be true that "it was the government who was to blame first," I also think that the natural impetus of the economy could not to be stopped by anybody.

We have experienced the bubble economy and learned various lessons during the process. We learned that "monetary policies should be carried out with more mobility." In my opinion, what is required of us today is to frankly admit our errors in creating the bubble economy and, at the same time, to make the most of the experience by reflecting it in future policies.

This Depression Is a "Complex Fracture"

[BUNGEI SHUNJU] Concerning the overall economic measures announced on 28 August, there has been criticism among industrial circles that the action of the government was too little, too late.

[Hata] Looking back again at the past trend of business, we notice that, until around July or August of last year, it was expected that "the boom was likely to last longer than any other in history, and exceed the Izanagi boom." Business conditions declined sharply thereafter, with the recessionary mood permeating the country, however. Immediately after I assumed my ministerial post in October last year, there was already a report that "collection of tax is not favorable." The Ministry of Finance was also making up a supplementary budget since the end of last year, giving consideration to the condition of business to a certain degree, and incorporating the fiscal investments and loans. Also, in the initial budget for the current fiscal year, while the financial situation was very severe, we increased the budget for public projects of general expenditure of the government by 5.3 percent, and the budget for local governments' own public projects based on the local financial plan by 2.5 percent. Also, we have framed a fiscal investment and loan plan with the amount increased by 10.9 percent, and we even called the budget "a budget giving full consideration to business conditions." Furthermore, we requested the cooperation of all political parties, and had the budget bill, which usually pass the national Diet at the end of April each year, approved on 9 April.

Furthermore, we announced emergency economic measures on 31 March, and executed the budget in advance with the rate as high as 75.2 percent. Also, we effected the fourth reduction of the official rate on 1 April. As the official rate was reduced only on 30 December of last

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year, the fourth reduction is being regarded as a measure beyond expectation. When we look at the above measures, the criticism that government measures to stimulate business conditions were too late does not seem to be to the point.

We often hear the criticism that "government measures tend to be prejudiced by past figures such as the tankan [short-term economic survey of principal enterprises in Japan] and QE [quick estimation announced by the Economic Planning Agency]," which is not true. Actually, we are making surveys at the expense of our summer vacations. For instance, we instruct the field staff of the Local Finance Bureau to "try to capture the popular voice," or we try to collect data from various enterprises through the local finance bureau and through the local finance office located in each prefecture by asking them "How is the employment situation?" "How is inventory?" "How is investment for equipment?" and "What is your opinion about the recovery of business?" etcetera. We started out by extending our antenna in every direction in order to ascertain, with our own eyes, which portion of the economy is to be stimulated to more effectively encourage business activities.

We learned from our research activity that the stock market was cooling off to a considerable degree and, later, that the opinions of persons related to the stock market indicated that monetary unrest was likely to take place. We also directly heard the opinion that positive response from the stock market is hardly likely unless the government announces concrete measures to cope with monetary unrest.

Although there is criticism by the people against the Ministry of Finance that "it is inadequate for the government to view the present depression in the same light as past depressions," or that "the government is taking the depression simply as a cyclical fluctuation in business activity," I have expressed my opinion that "the present depression may be likened to a complex fracture." Though my expression is that of an amateur, I do fully understand the situation and have voiced my opinion that the present depression cannot be overcome merely by the classic and traditional means such as reduction of interest rate, or supplement of public projects. That is why we failed to have the stock market favorably respond by simply announcing that "the government is to promote public projects."

[BUNGEI SHUNJU] What is your response to the criticism that the government measures are still too late...?

[Hata] We are not able to take measures from both the hardware and software aspect unless we totally grasp the situation. We do not intend to make excuses with regard to the criticism you just mentioned. Because the scale of the Japanese economy is so large, it is not a simple matter to determine what kind of measures are appropriate, however. It is a difficult requirement to make both a detailed study of the situation and to make decisions without delay at the same time. We try to cope with the situation taking into consideration such measures as advance execution of public projects or reduction of the official rate. If our investigation reveals that the measures taken are not sufficient, we are ready to take every possible measure without hesitation. Therefore, I am confident that the Ministry of Finance has coped with the situation appropriately.

The tentative operation policy of the monetary administration announced on 18 August may be considered one of the results of our effort. As a result of our hearing, it has been found that, as of this spring, there are many bad loans at financial institutions. The monetary system has become unstable due to asset deflation. Such information was also passed on to us from the United States. We had suspected that this feeling of unrest toward the financial institutions was in the background of the overall picture of depression.

Therefore, we requested the financial institutions to pick out the loans in arrears (loans with interest not being paid over six months), and then we announced that the loans in arrears at the city banks, long-term credit banks and trust and banking companies totalled approximately 7 or 8 trillion yen, and that, of this total amount, 2 or 3 trillion yen are not to be covered by mortgages and guarantees. Our intention was to make it clear at that point that the Ministry of Finance was taking appropriate measures about the bad loans, and that "the financial system of Japan is all right. The government is trying to take various measures to meet the situation."

To our regret the condition of business was still showing a downward trend even after August, however. Therefore, as a measure from the software side, we announced the tentative operation policy for the monetary administration on 18 August, and then, on 28 August, we announced the overall economic measures totalling 10.7 trillion yen, including public projects. The market responded quickly to the announcement of the monetary measures on 18 August. The market, which had not responded to the reduction of the official rate and the emergency measures, is now showing a favorable trend because, this time, the market has come to understand the attitude of the government.

[BUNGEI SHUNJU] In short, the government expressed its determination that "it is ready to take monetary measures," and the price of stock showed a complete recovery simply as a result of this announcement. Yet, there are some persons related to the market who said that the announcement was still too little too late. What matters is the fact that there is a considerably strong opinion that the total amount of bad loans at financial institutions is not as small as 7 or 8 trillion yen, as announced by the government. Though it is true that the positive attitude of the government was effective by itself, the feeling of unrest is being created by the underestimation of the bad loans. We understand that the establishment of an organization to purchase the bad

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loans is being considered to settle the problem. Practically, how do you think this problem is going to be settled?

I Firmly Believe That There Will Be No Monetary Unrest Any More

[Hata] The amount of 7 or 8 trillion yen in bad loans that I mentioned was obtained by our investigations made immediately after the settlement of accounts as of the end of March. Precisely speaking, the amount of loans in arrears at that time was 7.993 trillion yen out of the total loans of approximately 400 trillion yen. As six months have elapsed since our investigation, it is possible that the total amount of bad loans may have more or less increased, as loans in arrears accrued during the period should be added.

As a cause of the increase of bad loans, we can point out the fact that land is not selling. Therefore, considering that the situation should not be left as it is, the Ministry of Finance suggested to the financial institutions: "How about cooperating and establishing an organization to sell the land?" I am requesting the financial institutions to decide, with several correspondent banks taking the initiative, on a general framework of the organization by the end of this December. To me, this idea appears to be the best.

As I mentioned before, there is a possibility that the total amount of bad loans has increased since the settlement of accounts at the end of March, however. So, we are planning to hold a hearing again after the midterm settlement of accounts as of the end of September [1992], and to announce the newly obtained figure. Besides, the Financial System Research Committee is presently studying the themes such as "what is the definition of a bad loans?" and "what is the desirable form of announcing them?" Upon obtaining the conclusions, we are preparing to have each individual bank announce them at the time of settlement of accounts as of the end of March, next year. By so doing, we expect that the market will respond favorably with the recognition that "the government is also seriously grappling with the financial policies." After all, it is fundamentally most important to disclose the facts.

If, as I have described, the positive attitude of the government concerning the financial policies is understood, it will create a great effect for stabilization of the financial situation. As we are already practicing the necessary workings, I firmly believe that financial unrest will not take place any more.

By virtue of the effect of the announcement, we have already had a favorable influence on institutional investors as well as private investors. As latent profit is again showing a psychologically influenced recovery trend, we presume that the real phases of the economy are also being influenced favorably. Also, the reductions of both long- and short-term interest rates that took place on five occasions have made it easy for enterprises to procure funds, and have proved effective in promoting the demand for funds.

Besides, though the scale of the overall economic measures has been announced to be 10.7 trillion yen, there are included in the overall economic measures some other measures such as investment by electric power companies, gas companies and NTT [Nippon Telegraph & Telephone], making the scale of the overall economic measures by far larger than any other economic measure in the past, and it is expected that economic effects never before experienced may be produced by these overall economic measures.

We also expect that considerable influence may be created by the supplementary public projects at the individual local self-governing bodies. We understand that each prefecture and shi-cho-son [city-town-village] is promptly carrying out supplementary projects in parallel with the advance execution of the original projects. We also expect a prompt recovery of housing construction as we have added 800 billion yen to the project of the Housing Loan Corporation, and extended the category of houses to be financed by the corporation. Particularly, the extension of the category of houses to be financed is expected to be effective. Also, in order to promote capital investment for the purpose of labor-saving and rationalization, we have designated tax reductions for 130 categories of equipment considered suitable for small and medium enterprises, for effective use of energy with regard to the environment, and for research and development.

As we have seen so far, the overall economic measures have been framed from both the hardware and software sides with the recognition that "the classic and traditional measures are no use." That is the very reason why I believe the overall measures will have a favorable influence on the whole economy, enabling us to find out in which direction is "constant growth without inflation."

Question About the "Purchasing Organization"

[BUNGEI SHUNJU] It is true that the proposed overall economic measures will produce certain effects. Certain anxieties still remain, however.

Referring to the handling of bad loans held by the financial institutions, Prime Minister Miyazawa has suggested that he is thinking of using public funds for the organization purchasing the bad assets. Later, this comment was denied by the Ministry of Finance as there appeared to be criticism that "the loss of the banks produced by their own failure in management should not be covered by the tax of the people." Though it is a simple question, who could dispose of the huge amount of bad loans—which are supposed to be at least 8 trillion yen—without using public funds? Besides, since there are complicated reasons for the loans being uncollectible,

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it is very questionable if the bad loans are to be "purchased readily" even if the purchasing organization is established.

[Hata] We have secured a sum of over 1.5 trillion yen to finance the advance purchase of lands for public use by so-called institutions in charge of carrying out public projects, and the local self-governing bodies. We are expecting that, through this measure, the lands may be sold, thus giving a clue to the activation of liquidity.

As you have pointed out, the causes which created the bad loans are very complicated. The correspondent banks are now in the midst of their work to determine "how to consolidate these bad loans so they may be handled by one institution." It is true there may be loans which are difficult to handle, and it is also true that land is are not easily sold. To start giving stability to the financial institutions, we need to try to sell the land to the extent possible, however, and to remove the sold land from the bad loans held by the banks. In that sense, I believe it is fully worthwhile to establish an institution for the purpose of purchasing bad loans.

Of course, I understand that in the case of an enterprise it is the principle that, in any event, "the money lent by the enterprise should be taken care of by the enterprise itself." In the case of financial institutions, though there may be various different opinions in this respect, they are, after all, in a position to have a considerable influence on the national economy. Their influence is so large that even news about their unstability causes a decline in stock prices. When the situation calms down a little, as it has today, there are calls from among business leaders as to "why the government has tried to save the banks only?" To me, the financial institutions should not remain unstable, however. If the financial institutions are unstable, all industrial circles are to be influenced to a large extent. It is a great advantage for the national economy to be in a stabilized financial situation.

Yet, the Ministry of Finance never intended to utilize public funds for such an institution. Neither did the staff of the financial institutions request: "Please manage to introduce public funds, otherwise we are not able to overcome the situation by ourselves." Representatives of banking circles also frankly admit that "we are to blame for the results of our management, and we should grapple with the problem by ourselves." First of all, it is most important for the banking institutions to exert their own efforts to dispose of the bad loans.

Conversely, there is criticism of the establishment of such an organization saying that "such a measure might produce another bubble economy, and asking if the government is considering such a measure to be sufficient to solve the land problem." That is not true, however. It is not the belief of the Ministry of Finance that "the price of land has declined too far." We understand that the price of land, though having dropped 30 percent from the peak price, is still maintaining a higher level than the pre-bubble price. Therefore, it is our belief that we should carefully observe the speculative land transactions that might create a bubble economy.

[BUNGEI SHUNJU] The Ministry of Finance tends to employ the logic that credit unrest will take place if financial institutions become unstable. To us, this logic appears a deception. Even if a bank may become bankrupt, credit unrest will not take place if the government declares that the depositors will be completely protected, and deposits will be secured. What is your comment on this point?

[Hata] It is often pointed out that banks in the United States tend to become bankrupt. We have to note that the number of banks in the two countries differs widely, however. While the number of banks in Japan is 600, including credit associations, there are 12,000 banks in the United States. In the case of Japanese banks, they have considerable influence on the economy, and we should not lightly say that "it is all right for banks to become bankrupt."

Now that "financial liberalization" is steadily underway, it is possible to liquidate banks at a certain time in the future, however. Yet, it is necessary for us to provide measures to eliminate the anxiety of the depositors, and I myself am aware that the operation policy now being announced is the expression of our determination that "we are to protect the financial system at any cost." In announcing the financial measures on 18 August, I strictly told the banks beforehand that "banks should accurately recognize the situation," and that "banks should exert their own efforts to cope with the situation." Originally, the monetary measures formed a part of the overall economic measures. Yet, we intentionally announced the monetary measures at an early stage because the announcement was likely to lose its effect if made as part of the overall measures, and because the stock price was going through an unusual phase.

The Ministry of Finance is not devoting itself to helping the financial institutions. In the case of Toyo Credit Association, the name has disappeared, with a number of banks joining together and "taking over certain branches respectively" without having the Association merged on equal conditions. Yet, the depositors did not suffer. You will realize that monetary liberalization has already started. The story that "banks will never become bankrupt" does not hold true any longer. With the experience of the collapse of the bubble economy, all bankers must have realized in their hearts that "effort should be exerted in management." I think it is necessary for the financial institutions to realize that "if they stay idle, they will have a bitter experience."

[BUNGEI SHUNJU] Though it was not realized in the case of the United States, because of the budget deficit, do you not think it necessary for Japan to strengthen the function of the Deposit Insurance Corporation?

[Hata] I think we can fully meet the necessity with the existing deposit insurance system. As the deposit insurance premium does not bear interest as a bank deposit,

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the people of the financial institutions do not show much interest in the system. Yet, I am going to ask them to be more aware of the importance of the system.

Also, there is a report that, being influenced by the BIS [Bank for International Settlement] regulation (which requires that the ratio of net worth of the banks engaged in international banking business should be over 8 percent), banks tend to hesitate to lend. Since there is a new means such as the permanent subordinate loans enabling the financial institutions to raise the ratio of net worth, it is important for the financial institutions to fully avail themselves of such means, and to stabilize the financial system through the process.

Deficit-Financing Bonds Shall Not Be Issued; Rate of Consumption Tax Shall Not Be Raised

[BUNGEI SHUNJU] Tax revenue for the current fiscal year is expected to show a large decrease. Are you thinking of issuing deficit-financing bonds to cover the decrease in the tax revenues, or—as suggested by the rumor going around—are you really considering raising the consumption tax rate? Also, are you thinking of reducing income tax as a counter-cyclical measure?

[Hata] When we consider the financial situation of the Japanese Government, it is important to have the fundamental recognition that the government has to bear the expenses on government bonds with the amount exceeding 20 percent of annual expenditure, and that the government finance is being oppressed seriously as a result. In this financial situation, it is actually impossible—because of the burden of the expenses on bonds—to set forth new economic policies, or to carry out propriety allocation of the budget. Such being the case, I am going to maintain the fundamental attitude that deficit-financing bonds should not be issued. For the past 15 years, we have been having a hard time getting rid of deficit-financing bonds. We have learned the lesson from experience that we should not do anything that might leave the bill to future generations. Once issued, it becomes impossible to check deficit-financing bonds. Fundamentally, we should be determined that deficit-financing bonds should never be issued; not even as a stop-gap measure.

At the same time, in executing the budget, I am asking each cabinet minister "to curtail expenses as much as possible." It is absolutely necessary to always examine existing expenses, and try to strictly control annual expenditure. If you allow me to repeat, I would like to tell the people that I never had any intention to issue deficit-financing bonds, and that I know I should not do so.

In order to revise the consumption tax rate, we have to have the bill approved at the national Diet, and it is not a subject to be considered now. The consumption tax rate is a problem to be reviewed at the time when the theme "what in the world is an appropriate tax system?" is brought up for discussion. I do not think we can practice the revision of the rates of tax unless we obtain the understanding of the people through discussions, not only about the consumption tax, but also about the tax system including income tax.

Concerning the reduction of income tax, I am not sure whether it would prove to be really effective to reduce income tax now. We should not see the problem from the academic point of view. Under the present economic situation, where even individuals hold a considerable volume of stock, I do not think the people will feel the impulse to buy something. The other day, a newspaper column carried an article that a folding fan, a round fan, and an electric fan and a "yukata" were popular this summer. In the period of depression, people bought such goods by doing without an air-conditioner. There are even people who say that living "with a yukata and a fan" is more desirable for our health. We can see that the people are returning to their very sound ways of living. Because of this social trend, it is likely that the people would prefer saving rather than purchasing goods.

People in charge of operating the economy tend to think that "in order to improve the business condition, we have only to stimulate consumption by any means," and I even tend to be driven by the temptation. If we consider carefully, we realize that to aim at "sound life" is a very essential thing for the future of Japan. At the recent directors meeting of the Local Finance Bureaus, an interesting datum was reported that "while the expense for dining out showed a decrease, the expense for foodstuffs showed an increase." This means that dining out has been replaced by dining in, indicating that, after all, the pleasure of a happy home is being sought. The wife is trying to be a good cook for her husband and children, and recently, even the man enjoys cooking. This phenomena may be considered an expression of a sound life. Also, shops selling quality goods without brand names are becoming popular. People who used to be inclined to buy brand names seem to be seeking quality.

There may be an opinion that business conditions should be stimulated by all means. In order to prosper as a truly affluent country hereinafter, it is necessary for Japan—since we have accumulated the stock to a certain degree—to recover the sound life and to take the "quality of life" into consideration. If we are seriously aiming at becoming a quality of life superpower, it should be considered a wrong course to thoughtlessly twist the recent sound trend.

It will take a little more time for Japan to become a country where people seek the soundness and quality I mentioned before, however. If I make this kind of comment as a finance minister, I may be criticized because "the finance minister is still making a rigid comment." Yet, it is my opinion that in pursuing an ideal pattern for the Japanese economy in the future, we should aim at steady growth instead of a sharp recovery. Therefore, we should be patient where necessary, and in that sense, the existing situation can be considered to be an adjustment phase that we have to confront.

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FBIS-EAS-92-210
Thursday
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Conference on Aid to Former Soviet Republics Held

Plans for Conference Detailed

OW2710143892 Tokyo KYODO in English 1301 GMT 27 Oct 92

[Text] Tokyo, Oct. 27 KYODO—Emergency food, medical, and technical assistance to 12 former Soviet republics to help tide them over the coming winter will be considered at an international conference opening Thursday in Tokyo.

The two-day conference, involving senior representatives from some 70 countries and 20 international organizations, will be the third and last of its kind focused on emergency and humanitarian assistance to the republics as a group.

Foreign Ministry official Taro Ishibashi, conference secretary general, told foreign correspondents Tuesday that reports Japan will announce a fresh contribution of about 100 million dollars in grant assistance, or twice the amount it pledged at a Washington meet, are "quite accurate."

He said the funds, primarily for medical supplies and technical help, are to be mostly directed toward the five former Soviet central Asian republics—Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan, and Kazakhstan.

Foreign Ministry sources said the funds will also be channeled to Russia's Far East region, where Japan is making efforts to win over public opinion in its bid for the return of four islands seized by Soviet troops at the end of World War II.

Ministry officials said the conference will launch a number of mechanisms to coordinate assistance on a country-by-country basis as proposed at the Group of Seven summit in Munich in July.

It will be chaired by Japanese Foreign Minister Michio Watanabe, and is expected to include Russian Vice Premier Aleksander Shokhin, U.S. Acting Secretary of State Lawrence Eagleburger, and South Korean Foreign Minister Yi Sang-ok.

Officials said China, Mongolia, India, and Pakistan will take part for the first time, as well as regional organizations like the Asian Development Bank, which Japan has been pressing to extend membership to the five former Soviet central Asian republics.

Ishibashi said the mechanisms to be launched will be administered by the world bank, which will announce at the meet the details for each republic, though not all of them are prepared in terms of economic reforms.

He said the donor community will decide the most appropriate way of extending assistance to each republic. A ministry source said in the case of well-prepared republics like Kazakhstan or Kyrgyzstan, donors could set up consultative groups and aid would include financial assistance.

"In the case of other republics whose preparedness is not so advanced, we will stop at economic reform programs, with a particular emphasis on technical assistance," the source said.

He said a special formula for coordinating assistance to Russia, while still under negotiation, "is certain to be in the area of technical assistance, excluding financial assistance."

Ishibashi said the conference would discuss a U.S.-initiated method of extending aid called "monetarization," which Japan is thinking of introducing to its programs.

Under the formula, donated goods would be passed to designated recipient agencies for sale to consumers at market prices instead of being given away, he said.

Ishibashi said money acquired from the sales could be channeled by the republics into a fund for another round of assistance.

"But it is very, very difficult to identify appropriate counterpart organizations (in the republics) who are responsible and capable of conducting these rather elaborate operations," he said.

Ishibashi noted the U.S. is also pursuing on-the-spot coordination of aid to ensure goods are extended directly to the people intended to benefit from them, involving such nongovernment organizations as the Red Cross.

CIS Representatives Arrive

OW2910050992 Tokyo NHK General Television Network in Japanese 1000 GMT 28 Oct 92

[From "NHK News" program]

[Text] Representatives of 12 countries in the Commonwealth of Independent States [CIS] arrived in Japan today to attend an international conference on aid to the former Soviet Union.

The conference will begin in Tokyo tomorrow, and discussions will focus on emergency aid. The 50 officials from the CIS include Russian Deputy Prime Minister Aleksandr Shokhin and Uzubek Prime Minister Abdulkhashim Mutalov.

Ministerial-level representatives of 70 countries and 15 international organizations are going to meet at the conference tomorrow. In addition to humanitarian aid of food and medical supplies which will be sent to the CIS this winter, the participants will discuss technological assistance to support the economic reform of these countries. Each of the CIS countries will be dealt with separately. Doner countries will formulate the framework to provide new financial and technological assistance, as well as to step up existing assistance programs to support economic reform.

'Purpose' of Conference Viewed

OW2910002492 Tokyo KYODO in English 2322 GMT 28 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Twelve former Soviet republics will receive fresh pledges of aid to help tide them over the coming winter at an international conference opening in Tokyo on Thursday, the first of its kind to be held in Asia.

Representatives from a record 69 countries and 20 international organizations are in town for the Tokyo conference on assistance to the new independent states, which will assess the amount of emergency food, medical supplies, and technical help needed by the republics and consider how best to ensure the aid reaches where it is intended.

While the gathering's organizers say that obtaining new commitments of aid is not its main purpose, Japan's Foreign Minister Michio Watanabe is expected to lead by example at the outset of the conference by pledging a grant of 100 million dollars directed mainly at Russia's Far East region.

U.S. Acting Secretary of State Lawrence Eagleburger has reportedly said his delegation too "will have things we will announce" in Tokyo to underline Washington's commitment to easing reforms in the former Soviet Union, the November 3 presidential election notwithstanding.

Foreign Ministry officials say the conference, the third and last of its kind following those held in Washington and Lisbon, will conclude Friday with the launching of a number of new international mechanisms to coordinate various types of assistance to the new republics on a country-by-country basis.

Prime Minister Kiichi Miyazawa will open the conference, followed by a keynote speech by Watanabe, the chairman of the parley, and a series of statements and reports by the representatives of the United States, Britain, the European Community, the International Monetary Fund (IMF), the World Bank, and the 12 ex-Soviet republics themselves.

The afternoon session on Thursday will deal with humanitarian assistance, while the Friday morning session will tackle issues relating to technical assistance.

The conference will also be an occasion for numerous bilateral meetings, including those between Miyazawa and Russian Deputy Premier Aleksandr Shokhin, Shokhin and Eagleburger, and Watanabe and South Korean Foreign Minister Yi Sang-ok.

Participating for the first time in the conference are such Asian nations as China, Mongolia, India and Pakistan, as well as such regional organizations as the Asian Development Bank.

Officials say the main outcome of the conference will be an announcement of the timing and modalities of new international support mechanisms for most of the ex-Soviet republics, which will be organized under World Bank auspices on a country-by-country basis.

Foreign Ministry sources say that while most of the consultative bodies will initially tackle only humanitarian and technical assistance, Kazakhstan and Kyrgyzstan will likely benefit from financial assistance as well, since they are ahead of other republics in their reforms and in their level of coordination with international financial institutions.

But certain republics, such as Turkmenistan, have not made sufficient headway in their reforms to justify having aid bodies set up on their behalf, the sources said.

Russia, which is by far the biggest and most powerful republic, has reportedly balked on grounds of national pride at the idea of the World Bank chairing a group on help for it.

Sources say the aid coordination group set up for Russia will probably be of a different modality than those for the other republics, though like most of them it will not initially encompass large-scale financial assistance.

Officials say conference participants will discuss a new U.S.-initiated method of extending assistance to the new independent states called "monetarization," in which goods would not just be given away by donor countries.

Under the market-oriented formula, donated goods would be sold to consumers by designated recipient agencies in the various republics at market prices, while money acquired from the sales would be used for new rounds of assistance operations.

Pledge, Warning Begin Conference

OW2910012792 Tokyo KYODO in English 0108 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Japan opened an international conference on assistance for 12 former Soviet republics in Tokyo on Thursday with a pledge of 100 million dollars but also with a warning that the fragile political and economic reforms in the republics are imperiled by recurring instability and conflicts.

Prime Minister Kiichi Miyazawa opened the two-day conference at a Tokyo hotel with a pledge that the international community is "committed to stand side by side with the peoples of the new independent states as they grapple with their difficulties."

Miyazawa said the firmness of that commitment has been amply demonstrated by the massive turnout at the conference, in which a record 69 countries and 20 international organizations have gathered in a show of support for the 12 republics' reform efforts and to assess the scale of emergency food, medical supplies and technical help needed to tide them over the coming winter.

The Japanese leader warned, however, that sociopolitical instability and conflicts in some parts of the former Soviet Union "could undermine the fruits of the reform efforts."

Miyazawa called attention to the devastating effects that shortages of essentials could have on certain regions and populations and said that if the situation were intensified by social unrest and ethnic strife "the results could be ominous."

While calling on concerned republics to show a "maximum degree of patience and tolerance," he pledged that Japan, for its part, will actively engage in future international aid efforts in the spirit of "help for self-help."

Foreign Minister Michio Watanabe, serving as chairman of the conference, followed up with a keynote speech in which he said Japan will provide the former Soviet republics with 100 million dollars worth of humanitarian aid, mostly medical supplies.

Watanabe indicated that the aid would be focused on the Russian Far East region, where Japan is making efforts to sway public opinion in favor of a return of four islands seized by Soviet troops after its World War II surrender.

Russia and Japan have been at loggerheads over the territorial problem and the entwined issue of Russian President Boris Yeltsin's abrupt cancellation of a scheduled mid-September visit to Japan, a move denounced by Watanabe himself earlier this month as "rude."

U.S. Acting Secretary of State Lawrence Eagleburger, one of the prominent conference participants, reportedly expressed hope to reporters on his way to Tokyo that the holding of the meeting in Tokyo despite the unresolved territorial dispute is "a major indication... of a changed Japanese role in the world."

While Eagleburger and other delegation heads are expected to join Japan in announcing fresh commitments of aid, organizers of the conference have said its purpose is more to assess the 12 republics' economic situation, evaluate their winter needs, and set up new international mechanisms to coordinate future assistance on a country-by-country basis.

Watanabe said that the new mechanisms to be announced at the close of the conference would fall under the auspices of the World Bank so as to capitalize on its expertise.

Russia, by far the biggest and most powerful republic, has balked at this idea, however, on grounds of national pride, since such an approach is usually used for third world nations.

Foreign Ministry sources said negotiations are continuing on a compromise solution in Russia's case.

The sources said that while most of the consultative bodies, including that planned for Russia, will initially deal only with humanitarian and technical assistance, Kazakhstan and Kyrgyzstan will likely benefit from financial assistance as well since they are well ahead of other republics in their reforms.

But certain other republics, Turkmenistan for example, have not made sufficient headway in their reforms to justify aid bodies being set up on their behalf, they said.

Miyazawa said the "new coordinating framework" to be launched at the end of the conference, covering both bilateral and multilateral assistance for the 12 republics, should allow them to accomplish their reforms "effectively and efficiently" as long as they are willing to help themselves.

Referring to his own experience of helping build Japan up from the ashes of World War II, he said it is "the painstaking and persistent endeavor and the will on the part of the people, rather than assistance rendered by the international community, that can, in the end, change the situation."

Miyazawa said Japan considers technical assistance more important than give-away aid since it tends to "motivate and push people forward along the path of progress."

Watanabe, meanwhile, announced that Japan as a fellow Asian country plans to invite 300 technical trainees from the five central Asian republics of the former Soviet Union—Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan and Kazakhstan—to undergo studies in Japan at the government's expense over the next three years.

He also announced that a government survey mission would be sent to the region next spring to look into other ways in which Japan can extend cooperation.

Watanabe called on the participants to facilitate the earliest possible inclusion of the five republics in the Development Assistance Committee (DAC) list of the Paris-based Organization for Economic Cooperation and Development (OECD).

He explained that inclusion in the DAC list would make them eligible for full-scale financial and technical resources under Japan's official development assistance (ODA) program.

Japan's Prime Minister on Aid

OW2910040692 Tokyo KYODO in English 0332 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Japan and the United States said Thursday they will provide 12 republics of the former Soviet Union with 374 million dollars in food and medical aid to tide them over this winter. They made the pledges at the opening of a two-day international conference in Tokyo on assistance for the 12 republics.

U.S. Acting Secretary of State Lawrence Eagleburger announced that the United States will provide some 260 million dollars of grant food aid to the republics this winter and provide 14 million dollars in medical aid for immunization of children.

Japanese Foreign Minister Michio Watanabe, chairman of the conference, said Japan will provide 100 million dollars worth of humanitarian aid, which officials said will largely consist of medical supplies.

Japan's Prime Minister Kiichi Miyazawa opened the two-day conference at a Tokyo hotel by saying that the international community is "committed to stand side by side with the peoples of the new independent states as they grapple with their difficulties."

Miyazawa said the firmness of that commitment was clear from the record turnout at the conference—69 nations and 20 international organizations.

He warned, however, that sociopolitical instability and conflicts in some parts of the former Soviet Union "could undermine the fruits of the reform efforts" of the various republics.

Drawing attention to the devastating effect that shortages of essentials could have on certain regions and populations, Miyazawa said that if the situation was intensified by social unrest and ethnic strife "the results could be ominous."

Eagleburger issued a strong call for donor nations to give greater support to the struggling ex-Soviet republics, saying, "Our message on reform has credibility only to the extent that we are willing to do our share."

He said the United States will also launch a series of new technical assistance initiatives valued at 158 million dollars.

Watanabe said the Japanese aid, which is twice the amount Japan offered at the first such conference in Washington last January, will be concentrated on the Russian far east region, where Japan is making efforts to sway public opinion in favor of the return of four islands seized by Soviet troops after its World War II surrender.

Russia and Japan have been at loggerheads over the territorial problem and Russian President Boris Yeltsin's abrupt cancellation of a scheduled mid-September visit to Japan, a move denounced by Watanabe himself earlier this month as "rude."

Eagleburger, who last Tuesday lauded Japan for hosting the conference in spite of the territorial dispute with Moscow, told the participants that the holding of the event in Tokyo "is evidence of the fact that Japan is increasingly assuming a role commensurate not only with its economic strength, but with the burdens and requirements of global leadership."

"It is a fact that we will not be able to achieve a new world fully prosperous and free without such leadership from our Japanese friends," he said.

An International Monetary Fund (IMF) report presented at the conference said that aside from emergency humanitarian aid and technical assistance, the republics will need considerable amounts of external official financing, but only after effective stabilization policies are in place.

The IMF estimated that official funding requirements in 1993 for Russia alone would be 22 billion dollars, and even then only if its monetary and fiscal policies are significantly tightened before the end of the year.

Despite the announcements of fresh commitments of humanitarian aid, organizers of the conference have noted that its purpose is more to assess the 12 republics' economic situation, evaluate their winter needs, and set up new international mechanisms under world bank auspices to coordinate future assistance on a country-by-country basis.

Japanese sources said that while most of the consultative bodies, including that planned for Russia, will initially deal only with humanitarian and technical assistance, some republics further ahead in their reforms will likely benefit from financial assistance as well.

Miyazawa said the "new coordinating framework" to be launched at the end of the conference, covering both bilateral and multilateral assistance for the 12 republics, should allow them to accomplish their reforms "effectively and efficiently" as long as they are willing to help themselves.

Eagleburger echoed that sentiment, saying, "We cannot aid those who are unwilling to help themselves. Ultimately, it is the responsibility of the peoples of the new republics to ensure that the reforms succeed."

Watanabe, meanwhile, announced that Japan, as a fellow Asian country, plans to invite 300 technical trainees from the five central Asian republics of the former Soviet Union—Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan and Kazakhstan—to study in Japan at the government's expense over the next three years.

He also announced that a Japanese Government survey mission will be sent to the region next spring to look into other ways Japan can extend cooperation.

Watanabe called on the participants to facilitate the earliest possible inclusion of the five republics in the Development Assistance Committee (DAC) list of the Paris-based Organization for Economic Cooperation and Development (OECD).

He explained that inclusion in the DAC list would make them eligible for full-scale financial and technical resources under Japan's official development assistance (ODA) program.

Japan's Assistance Focus Viewed

OW2910073692 Tokyo KYODO in English 0704 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—The Ministry of International Trade and Industry (MITI) is considering focusing its assistance on five Central Asian states of the former Soviet Union, the vice trade minister said Thursday.

Referring to the "Tokyo Conference on Assistance to the Newly Independent States" that started Thursday, MITI Vice Minister Yuji Tanahashi told a press conference, "We intend to promote our aid for five states in Central Asia."

With former Soviet republics near Eastern Europe being helped by Western Europe, the Central Asian republics have been left in a vacuum in terms of assistance, Tanahashi said. The five republics are Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan.

The ministry sees prospects for exploitation in the mining industry in these states, which are rich in mineral resources such as petroleum, coal, and precious metals, ministry officials said.

[Tokyo KYODO in English at 0809 GMT adds: "Foreign Minister Michio Watanabe said Thursday Japan will boost cooperation in providing technical assistance to former Soviet republics, a Foreign Ministry official said. Watanabe made the comment to James Draper, director general of the United Nations Development Program (UNDP). Watanabe said the UNDP will play an important role in providing aid to the former Soviet Union as support is expected to focus on technical assistance, the official said. Draper said the UNDP intends to open offices in the 15 former republics, including the three Baltic states, the official said. The UNDP is particularly interested in Japan's cooperation in supporting Central Asian republics, Draper was quoted as saying."]

IMF Stresses Three-Point Plan

OW2910052792 Tokyo KYODO in English 0453 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—The International Monetary Fund (IMF) stressed Thursday the need for providing financial and technical assistance and access to markets for the republics of the former Soviet Union.

In a statement delivered at the two-day "Tokyo Conference on Assistance to the Newly Independent States," which started Thursday, Richard Erb, IMF deputy managing director, said that tackling problems is primarily the former Soviet republics' task, but international cooperation and assistance are essential.

As one of three key elements of external support, Erb mentioned financial assistance first, saying, "external official financing has a role in the initial stages of the transition process" from a formerly centrally planned economy to a market economy.

Quoting provisional IMF estimates, Erb said the official financing requirement in 1993 for Russia alone would be 22 billion dollars for its balance of payments with all countries outside the former Soviet Union.

This is based on the assumption that monetary and fiscal policies are "significantly tightened" before the end of this year, he said.

Second, technical assistance should be the key channel through which international organizations and established market economies can contribute to successful economic transition, Erb said.

"It is essential that the rest of the world, especially the industrial countries, provide them (the states of the former Soviet Union) access to markets in which they can compete," he said.

"It is of the utmost importance that the wish of these countries to integrate their economies with the rest of the world be accommodated as quickly as possible so that they can benefit from the multilateral trading system that underpins the success of all market-based economies."

Russia's, IMF's Reports Differ

OW2910123292 Tokyo KYODO in English 1208 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Russia's high-ranking official said Thursday the nation's budget shortage for 1993 would reach 30 billion U.S. dollars but the amount differs from an estimate by the International Monetary Fund (IMF) and the World Bank, Japanese Government officials said.

The IMF and the World Bank said Russia would suffer a 20.2 billion dollar budget shortage for the year if the nation imposed the tightest monetary policy possible.

At an international conference on aid to 12 former Soviet republics, being held in Tokyo, Russia's Deputy Premier Aleksandr Shokhin described his country's economic situation by referring to the amount of the budget shortage.

Western nations are expected to offer financial aid to Russia based on the amount of its budget shortage.

The two Washington-based international financial institutions have estimated the Russian deficit would be bigger if the nation takes over more debt from other former Soviet republics than projected.

A Foreign Ministry official said, on the condition of anonymity, he has no idea why Russia announced a bigger budget deficit than did the IMF and the World Bank.

But he added the Russian Government must have found it difficult to tighten its monetary policy as much as the world financial institutions expect.

Differences of Opinion Reported

OW2910084992 Tokyo KYODO in English 0825 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—An international conference on aid to 12 former Soviet republics had by Thursday afternoon garnered more than 360 million dollars in pledges from Japan and the United States to help tide them over the coming winter.

But Foreign Ministry officials indicated that the main players at the conference remained at odds on the method and scope of a new international mechanism to coordinate future aid for Russia, which is the largest and most powerful of the republics.

The gathering is the third and last of its kind following ones held in Washington in January and in Lisbon in May. Officials from 70 countries and 20 international organizations are participating.

The so-called "Washington process" ending in Tokyo, has so far focused on coordinating emergency humanitarian aid and technical assistance to the republics by sector basis, with working groups set up on food, medicine, energy, shelter, and technical assistance.

By contrast, the new mechanisms to be launched at the meeting's end will be formed on a country-by-country basis under World Bank auspices and are meant to be long lasting bodies dealing more with medium-term technical assistance than short-term humanitarian aid.

Russian Deputy Premier Aleksander Shokhin in his speech at the conference, said that while Russia welcomes the idea of consultative groups, Moscow wants a formula allowing shared authority between the World Bank and Russia's new foreign aid coordination mechanism—the Agency for International Cooperation and Development. The groups proposed at the conference, however, would answer only to the World Bank, just as do similar groups in Third World nations.

Prime Minister Kiichi Miyazawa opened the conference by vowing in a speech that the international community is "committed to stand side by side with the peoples of the new independent states as they grapple with their difficulties."

U.S. Acting Secretary of State Lawrence Eagleburger issued a strong call for donor nations to give more support to the struggling ex-Soviet republics, saying, "our message on reform has credibility only to the extent that we are willing to do our share."

Japan

Secretary Eagleburger, Watanabe Discuss Air Pact

OW2910122692 Tokyo KYODO in English 1213 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—U.S. Acting Secretary of State Lawrence Eagleburger suggested Thursday differences between Japan and the United States on interpreting a bilateral aviation treaty may become a problem, Foreign Ministry officials said.

Eagleburger said in a meeting with Japanese Foreign Minister Michio Watanabe the U.S. and Japan should discuss the 1952 treaty on air services and the right to fly on to third countries, according to the officials.

Under the pact, U.S. airlines freely exercise their right to continue flights to other destinations beyond Japan but Japanese airlines are restricted in doing the same rights in the United States.

Eagleburger was quoted as saying there are already specific problems arising from the differences in the way the two countries interpret the treaty.

Washington is requesting more American airlines be allowed to route flights to third countries through Japan's Kansai International Airport when it opens.

Eagleburger was quoted as saying it would be strange if U.S. airlines are restricted just because they are competitive.

Watanabe told Eagleburger he has heard little about the matter and proposed experts from the two nations discuss it.

Eagleburger, visiting Japan to attend an international conference on aid to the former Soviet republics, said it is important Russia makes progress with its reforms, the officials said.

He also called Japan's sponsorship of the conference a "diplomatic success," they said.

Touching on his trip to China accompanying Emperor Akihito and Empress Michiko, Watanabe said the visit went well.

He said there were no talks on politics during the China visit and the imperial couple engaged in cultural and artistic discussions with Chinese leaders.

U.S. Supercomputer Meeting Ends in 'Failure'

OW2910105292 Tokyo KYODO in English 1040 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—A Japan-U.S. working-level meeting on supercomputers ended Thursday in failure with the sides remaining at odds over a tender for a purchase by a Japanese Government agency, Foreign Ministry officials said.

At the two-day meeting, which was originally supposed to end Wednesday, the United States expressed dissatisfaction over the June choice of Japanese electronics firm NEC Corp. over U.S. supercomputer maker Cray Research Inc. by the National Institute for Fusion Sciences, a unit of the Japanese Education Ministry, the officials said.

Supporting Cray Research's contention, U.S. negotiators pointed to the lack of technical assessment in the bidding process, they said. The U.S. also threw doubt on the agency's choice, referring to the fact that NEC's equipment in the bid was not yet available when the contracter was selected, they said.

The Japanese explained that Japan's Supercomputer Procurement Review Board rejected October 7 Cray Research's complaints because it found no unfairness in the selection process but they did not gain understanding from the U.S. side, they said.

Japanese negotiators also said the U.S. Government may have avoided competition by effectively rejecting purchases of Japanese-made supercomputers on the grounds of national security, the officials said.

The Americans refused to discuss the issue, however, contending that the meeting was designed to review Japanese Government purchases of U.S.-made supercomputers, they said. The U.S. negotiators said they would respond to that issue later, they said.

NEC To Increase Output To Meet U.S. Demand

OW2810155092 Tokyo KYODO in English 1331 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—NEC Corp., a major Japanese electronics firm, said Wednesday it will boost semiconductor production to meet a steep upsurge in demand in the United States.

The company said production of 4-megabit dynamic random access memory (DRAM) chips, its mainstay product, will be raised substantially from the present 4.5 million units per month to 6 million units by March next year.

Hajime Sasaki, executive director of the company, said management has ordered factories to operate at full capacity.

He said demand for chips has surged in the U.S. following a ruling by the Commerce Department last week that chips imported from South Korea were being sold at prices lower than reasonable levels.

Prices of certain semiconductors have begun to rise following the ruling, and the current bullish demand will continue at least for a half year, he said.

Company officials said additional capital investment will be avoided due to sluggish demand at home.

Toyota Reduces Production by '90,000' in 1992

OW2810193492 Tokyo KYODO in English 0659 GMT 28 Oct 92

[Text] Nagoya, Oct. 28 KYODO—Overall car production in 1992 by Toyota Motor Corp. in and outside of Japan will drop 90,000 units from last year to 4.78 million, company official said Wednesday.

The Japanese auto giant is reducing production because 1992 domestic car sales are forecast to drop by 150,000 units.

Toyota had previously projected that auto production would surpass five million units this year as exports to the Middle East, Britain, and Germany were seen to grow and commercial vehicle production was inaugurated in the United States.

However, sluggish sales in Japan and tightened voluntary export curbs on shipments to the U.S. altered projections, the officials said.

Results of Emperor's Visit to PRC Analyzed

OW2910015492 Tokyo KYODO in English 0125 GMT 29 Oct 92

[By Masanori Kikuta]

[Text] Shanghai, Oct. 29 KYODO—Japanese Emperor Akihito's visit to China may only have aroused bitter war memories among many ordinary Chinese, but Tokyo believes it has cleared another hurdle toward winning recognition from its Asian neighbors as an emerging regional power.

At the official level, China saw the first visit by a Japanese monarch as formally burying the enmity of half a century ago, though its leaders cautioned Japan to remember the lessons of history.

Sino-Japanese relations should be based on three principles, Communist Party leader Jiang Zemin said Saturday at a dinner he hosted in honor of the emperor in Beijing.

"First, taking history as an objective lesson, second, looking ahead to the future, and third, clinging to friendship from generation to generation," the official XINHUA News Agency quoted Jiang as saying.

Tokyo hesitantly accepted China's repeated invitations for the imperial visit over some domestic opposition, particularly from nationalists fearing the emperor might be forced to make an apology for Japan's past aggression against China.

Behind the decision to send the emperor abroad for the second time since his 1989 enthronement was the hope that it would benefit both sides—Tokyo winning tacit Chinese approval of its ambition to play a bigger political and security role, and Beijing enticing Japanese investment for its economic reforms by forging closer ties, analysts said.

"If Japan wants to become a real superpower, it has to be recognized by other big countries in Asia like China," said Wong Ping Fah, a Singapore political commentator for the Chinese-language daily LIANHE ZAOBAO published in the island nation.

Emperor Akihito and Empress Michiko made their diplomatic debut a year ago with a tour of Thailand, Malaysia and Indonesia, where anti-Japanese sentiment is less strong than in China.

Analysts also viewed the China trip as a litmus test of popular feelings ahead of an expected future visit to South Korea, where antagonism toward Japan is stronger due to its 1910-1945 colonial rule of the Korean peninsula.

Japan needs to lay to rest its wartime past with South Korea before trying to gain its approval to expand Tokyo's role to noneconomic fields.

Seoul voiced the toughest objection to Japan's first postwar dispatch of troops abroad in September to join United Nations peacekeeping operations in Cambodia.

"South Korea is still too sensitive a country for the emperor to visit," said Kamol Pensrinukul, head of a Japanese study program at Thailand's Chulalongkorn University, adding that he expects the next foreign trip will be to Europe or the United States.

The official Chinese press widely covered the six-day imperial visit that ended Wednesday, calling it "a milestone in bilateral ties" which stretch back 2,000 years.

But many Chinese citizens said they were not satisfied with the emperor's Beijing banquet statement last week that Japan had inflicted great sufferings on the people of China and that "I deeply deplore this."

Millions of Chinese died in the invasion and occupation of large parts of China by Japanese troops acting in the name of the emperor's late father, Emperor Hirohito.

"I know the (late) emperor himself did not plot the aggression of China, but I wanted him (Emperor Akihito) to have expressed contrition more clearly," said a 70-year-old former textile factory worker, who asked not to be named.

The question of an apology is sure to surface if Japan decides to accept South Korea's standing invitation for an imperial visit.

But some Japanese officials suggest a parliamentary apology should be considered, because there are limitations to what the emperor can say about Japan's war responsibility due to his nonpolitical, symbolic role.

Many Asian neighbors are angry at Japan's reluctance to openly admit its wartime actions, including the Imperial Army's role in the use of Asian women as prostitutes for frontline troops.

The Diet failed last year to agree on a proposed resolution apologizing for Japan's World War II atrocities.

"I think it appropriate for the Diet, as the supreme institution of state power, to adopt a resolution containing some form of apology," Japanese parliamentary Vice Foreign Minister Koji Kakizawa said.

Chinese Stranded on Boat Begin Hunger Strike

OW2810155192 Tokyo KYODO in English 1340 GMT 28 Oct 92

[Text] Yokohama, Oct. 28 KYODO—A group of 142 Chinese stranded on a Taiwanese fishing boat in Yokohama after a mechanical failure off the Chiba coast have begun a hunger strike to protest against their treatment, Maritime Safety Agency officials said Wednesday.

Agency officials said the group, which includes 17 women, accepted food packages given to them after berthing at Yokohama port on Sunday but suddenly stopped taking meals from dinner time on Tuesday.

The group members, who are from the coastal Chinese province of Fujian, are being confined to their boat without access to bathing facilities while the Justice and Foreign Ministries try to decide how to deal with the case.

The Chinese say they are bound for the United States.

Since they have not illegally entered Japan, they have not infringed immigration regulations.

Officials said they were given assistance because their boat was in trouble, but said the case is difficult to handle because it does not come within Japanese jurisdiction.

Official Favors Emperor's Early Visit to ROK

OW2810212392 Tokyo KYODO in English 1137 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—A highly-placed Foreign Ministry source said Wednesday [28 October] he favors an early visit to South Korea by Emperor Akihito who just returned from a historic trip to China.

The source said, however, there was no specific timetable for an imperial visit under consideration.

"It is a good thing (for the emperor) to visit at an early date" if conditions become favorable, the source said without elaboration.

France Approves Tokyo Plan To Ship Plutonium

OW2910115892 Tokyo KYODO in English 1136 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—The French Government has given the final go-ahead to Japan's plan to ship a cargo of plutonium from France, Japanese Government sources said Thursday.

The sources said Paris issued a permit to Tokyo despite the chorus opposing the plan to transport plutonium from France for use in Japan's fast-breeder nuclear energy program.

Japan intends to ship about 30 tons of plutonium over the next 20 years after it has been reprocessed in Britain and France from spent nuclear fuel from Japanese power plants.

The shipment plan has triggered concern in several countries and by international environmental groups about the possibility of an accident at sea involving the extremely toxic substance. Plutonium is also a key ingredient for making nuclear weapons.

With the official approval, a specially equipped freighter, sent by the Japanese Government and now provisioning at an unspecified French military port, is likely to enter Cherbourg Port in western France soon to load the plutonium and take it home by the end of the year.

The 3,800-ton Akatsuki Maru will transport about 1.3 tons of plutonium, of which one ton is to to be used as nuclear fuel, according to Power Reactor and Nuclear Fuel Development Corp., which undertook the transportation mission.

France's state-run nuclear fuel company Cogema has already completed packing the plutonium, which was recovered from spent fuel from Japanese power plants, in 133 casks the Japanese vessel will take on board.

Miyazawa Meets With Russia's Shokhin 29 Oct

OW2910114192 Tokyo KYODO in English 1120 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Prime Minister Kiichi Miyazawa told Russian Deputy Prime Minister Aleksandr Shokhin on Thursday he hopes Russia's economic reform program will be a success, a Foreign Ministry official said.

The process of shifting to a market economy is fraught with difficulties and will take time but the important point is to make progress, Miyazawa was quoted as telling Shokhin, who is here to attend an international aid forum for the states of the former Soviet Union.

"I hope Yeltsin succeeds in the reforms," Miyazawa was quoted as saying, adding he hopes the reforms would not be reversed.

Conservative politicians opposed to the introduction of reforms have gained strength in recent months.

Shokhin said the government is doing its utmost to ensure the reform policies are not rescinded, the official said.

There was no mention during the 50-minute meeting of the territorial dispute that has blocked the two countries from signing a peace treaty ever since World War II, he said.

Miyazawa expressed regrets over the cancellation of Russian President Boris Yeltsin's visit here last month but the two did not discuss a possible rescheduling of the trip, he said. A report from Moscow said Yeltsin would be prepared to come to Japan if Tokyo agrees to shelve for the time being the dispute over four islands off of Hokkaido seized by the Soviet Red Army in 1945.

Earlier in the day Uzbekistan Prime Minister Abdulhashim Mutalov told Miyazawa that his Central Asian republic of 20 million people attaches importance to relations with Japan and other Asian nations, the official said. He also requested technical assistance from Japan, he said.

In a separate meeting, Prime Minister Tursunbek Chingyshev of Kyrgyzstan said his country is seeking economic assistance in agriculture, as well as funds to rehabilitate the country following earthquakes.

Miyazawa noted that the International Monetary Fund (IMF) has praised the landlocked Central Asian nation for its efforts to introduce economic reforms and said Japan would assist where possible, the official said.

Russia Suggests Supervisors Aboard Fishing Boats

OW2910141992 Tokyo KYODO in English 1334 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Russia may call on the Japanese Government to allow Soviet supervisors to board Japanese salmon fishing vessels operating in Japan's 200-mile waters, the Russian Government's fishery regulation chief said Thursday.

V.A. Ismailov, head of Russia's Fishery Regulation Bureau, sounded the warning in an interview with KYODO News Service in connection with recent salmon fishing in open seas by a number of Japanese vessels in violation of an international agreement.

The Russian official said Russia, in bilateral fishery negotiations with Japan in the past, had made similar demands but Japan had objected on the ground that this would be tantamount to an infringement of Japanese sovereignty.

Ismailov said he would pass judgment on the case of reported illegal fishing by a group of Japanese boats after receiving an official report from the Japanese Fisheries Agency.

He said ways to prevent such violations will come up for talks between the two Japanese and Russian fisheries officials in charge.

The Russian official said the parties to the North Pacific Salmon Resources Conservation Convention—Russia, the United States, Canada and Japan—would soon discuss a proposed crackdown on such violations.

Armenia, Azerbaijan Seek Economic Cooperation

OW2910120092 Tokyo KYODO in English 1111 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Leaders of Armenia and Azerbaijan attending an international conference on aid to former Soviet republics asked Japan on Thursday to provide economic cooperation to the two countries, government officials said.

The requests were made by Armenian Deputy Prime Minister Grant Bagratyan and Azerbaijan Foreign Minister Tofik Gasymov in separate meetings with Masahiro Koga, parliamentary vice minister of international trade and industry, the officials said.

Bagratyan sought Japanese investment in Armenia, saying its economy is the most open among the republics, they said.

Koga stressed the need for Armenia to consolidate its legal and social infrastructure, the officials said.

Gasymov asked Japan's cooperation for the development of Azerbaijan's automobile industry, the officials said.

The two-day international meeting in Tokyo is discussing humanitarian and technological aid to 12 former Soviet states.

Bulgaria's Pramatarski Meets With Watanuki

AU2910081692 Sofia BTA in English 2135 GMT 28 Oct 92

[Text] Tokyo, October 28 (BTA)—Bulgarian Trade Minister Aleksandur Pramatarski, who arrived in Tokyo to attend the international conference for assisting the former Soviet republics, met today Mr. Tamisuke Watanuki, secretary general of the ruling Liberal-Democratic Party. Mr. Watanuki said that he will call on the Japanese Government to render assistance to the positive processes in Bulgaria, the Press Office of the Ministry of Trade told BTA.

Mr. Pramatarski also met with Japanese Deputy Foreign Minister and chairman of the Japanese side of the Bulgarian-Japanese Joint Intergovernmental Commission, Mr. Koichiro Matsuura. Mr. Pramatarski and Mr.

Matsuura discussed the curbing of inflation in Bulgaria and its financial potentials for paying its foreign debt.

Mr. Matsuura expressed Tokyo's readiness to broaden bilateral scientific and technological cooperation as well as its expert aid for Bulgaria.

Watanabe Promises To Boost UNDP Cooperation

OW2910082492 Tokyo KYODO in English 0809 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Foreign Minister Michio Watanabe said Thursday Japan will boost cooperation in providing technical assistance to former Soviet republics, a Foreign Ministry official said.

Watanabe made the comment to James Draper, director general of the United Nations Development Program (UNDP).

Watanabe said the UNDP will play an important role in providing aid to the former Soviet Union as support is expected to focus on technical assistance, the official said.

Draper said the UNDP intends to open offices in the 15 former republics, including the three Baltic states, the official said.

The UNDP is particularly interested in Japan's cooperation in supporting Central Asian republics, Draper was quoted as saying.

Minister Pledges Earth Summit Follow-Up to UN

OW2910091792 Tokyo KYODO in English 0834 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Foreign Minister Michio Watanabe told a senior United Nations development official Thursday that Japan is prepared to provide funds and personnel for a follow-up on last June's Rio de Janeiro Earth Summit, a Foreign Ministry official said.

Watanabe made the remark to Ji Chaozhu, UN undersecretary general for economic and social development, who is here to attend an international conference on aid to former Soviet republics.

The UN General Assembly is to discuss establishment of a commission on sustainable development next week to monitor progress on pledges made at the UN Conference on Environment and Development, popularly known as the Earth Summit.

Ji urged Japan to exercise leadership in helping developing countries implement industrial policies to foster market economies, the official said.

In the future, development will be essential to maintaining peace and stability, Ji was quoted as saying.

He said Japan was particularly well-suited to the role as a bridge between developing and industrialized nations because of its "correct policy" after World War II that enabled it to join the ranks of the developed world, the official said.

Ji, a Chinese national, also congratulated Watanabe on the recent successful visit of Emperor Akihito and Empress Michiko to China, the official said.

Muto To Quit as Head of Lower House Committee

OW2810191592 Tokyo KYODO in English 1223 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Social Democratic Party (SDP) member Sanji Muto will resign as head of the Committee on Commerce and Industry at the House of Representatives for failing to dispel allegations he had received illicit financial donations, SDP officials said Wednesday.

Muto, a member of the lower house, will be resigning about two weeks after failing to have his libel suit against KYODO News Service taken to the Supreme Court, thereby acknowledging defeat in the case.

Late last month the Tokyo high court backed a lower court ruling in favor of KYODO, rejecting Muto's demand that the news agency print an apology for stories it ran in 1988 implicating him in a money scandal.

The Tokyo District Court ruled in November last year that the stories were credible. They said that Muto asked a business executive to buy shares in another company on his behalf and received 12 million yen in profit from selling the stocks.

On Wednesday, SDP Chairman Makoto Tanabe suggested he will no longer ask Muto to leave the party, as he had done previously.

Tanabe told reporters Muto is taking responsibility by resigning as head of the lower house committee.

Apart from the libel suit, Muto said at a meeting of the party's Diet Affairs Committee that it was lawful for Tokyo Sagawa Kyubin Co. to buy fund-raising party tickets worth 5 million yen.

Muto later told reporters the now-defunct delivery firm did not buy the tickets from him but from his affiliated organization. He also said he did not personally profit from the purchase.

Obuchi Forbidding Participation in Ozawa Group

OW2810164192 Tokyo KYODO in English 1216 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Keizo Obuchi, new chairman of the largest but disintegrating faction within the ruling Liberal Democratic Party, sent cables Wednesday to all faction members forbidding their participation in a new policy study group launched by his archrival.

Obuchi took the action after supporters of his main rival, Ichiro Ozawa, formed the group the same day.

The Ozawa supporters formed the group to protest at the selection of Obuchi as new chairman of the 109-member Takeshita faction created by former Prime Minister Noboru Takeshita.

The study group of 36 members of the House of Representatives is led by Finance Minister Tsutomu Hata, the Ozawa camp's candidate for Takeshita faction chairman.

SDP, USDP Agree To Form Front in Lower House

OW2910044292 Tokyo KYODO in English 0345 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—The Social Democratic Party (SDP) and the United Social Democratic Party (USDP) announced an agreement Thursday to form a joint front in the House of Representatives.

SDP Chairman Makoto Tanabe and USDP leader Satsuki Eda reached the accord in a meeting Thursday on the eve of an extraordinary session of the Diet, to convene Friday, officials said.

The joint front will be made up of 137 SDP members and four from the USDP, they said.

SDP officials said the No. 1 opposition party will also ask USDP members to join the "shadow cabinet" which is expected to be reshuffled in December. The move is aimed at strengthening cooperation on Diet affairs and policy-making, they said.

The concept of a united front of the two parties surfaced just before the House of Councillors election in July.

Some members of the USDP, however, voiced doubts about the idea following a failed joint struggle to block the passage of the peacekeeping cooperation law aimed at sending Japanese troops abroad to join United Nations peacekeeping operations, the sources said.

Opposition Agrees To Demand Summons of Witnesses

OW2910080792 Tokyo KYODO in English 0749 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Three opposition parties agreed Thursday to jointly demand the summoning of disgraced kingmaker Shin Kanemaru, former Prime Minister Noboru Takeshita and eight others as sworn witnesses to the Diet over the Tokyo Sagawa Kyubin scandal.

Directors of the House of Representatives' Budget Committee from the Social Democratic Party (SDP), Komeito, and the Democratic Socialist Party (DSP) reached the agreement in a meeting, officials of the parties said.

The eight others are Kiyoshi Sagawa, owner of Sagawa Kyubin; Hiroyasu Watanabe and Seisho Minatogawa, both former presidents and Jun Saotome, former managing director of Tokyo Sagawa; Munenobu Shoji, former president of Hokusho Sangyo Co.; Yasuo Matsuzawa, former president of Heiwado Group; Rekiji Kobari, president of Fukushima Kotsu; and Masahisa Haibara, an aide to Kanemaru.

The three parties will submit the list at a meeting of directors of the lower house's Budget Committee on Friday, the officials said.

The Japanese Communist Party decided to demand the summoning of Kanemaru, Takeshita, Sagawa, Watanabe, and Haibara to the Diet as sworn witnesses, party officials said.

Kanemaru resigned from the Diet on October 14 after receiving a summary indictment for violating the Political Funds Control Law by accepting 500 million yen in political donations from Watanabe.

Prosecutors indicted Watanabe, Saotome, Shoji, and Matsuzawa on charges of causing 95.2 billion yen in financial damages to Tokyo Sagawa by issuing loans and loan guarantees totaling 527.8 billion yen to 58 firms and 26 individuals, some of them connected with organized crime.

Diet Affairs Committee chairmen of the SDP, DSP, and Komeito agreed they will reject an offer of the ruling Liberal Democratic Party that Takeshita speak on the issue in the parliament's Political Ethics Council instead of testifying in the Budget Committee as a sworn witness, officials said.

Kanemaru reportedly asked the late Susumu Ishii, boss of Japan's second largest crime syndicate, through Watanabe to stop harassment by a right-wing group of Takeshita in 1987 when he was running for the LDP presidency, which carries with it the prime ministership.

Takeshita Faction's New Leadership Announced

OW2910103392 Tokyo KYODO in English 1007 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Keizo Obuchi, newly appointed chairman of the ruling party's largest power bloc, announced a faction leadership lineup Thursday excluding supporters of his rival Ichiro Ozawa.

Former Finance Minister Ryutaro Hashimoto, former Construction Minister Hideo Utsumi and former Home Affairs Minister Shigenobu Sakano were appointed vice chairmen.

Hashimoto will concurrently hold the post of faction secretary general for the time being, Obuchi said.

Obuchi, former secretary general of the Liberal Democratic Party (LDP), announced the roster one day after he was endorsed as faction chief by his supporters at a general meeting.

Hashimoto met Hajime Funada, an Ozawa loyalist, to urge the Ozawa camp to take part in the new leadership but the request was refused, faction sources said.

Ozawa's supporters have insisted the selection of Obuchi was invalid as the correct procedures were not followed.

Thirty-six members from the House of Representatives loyal to Ozawa launched a policy study group headed by Finance Minister Tsutomu Hata on Wednesday after Obuchi was declared faction head.

The Ozawa camp had backed Hata for faction leader.

Obuchi sent cables to all faction members Wednesday forbidding their participation in the new forum.

The power struggle within the 109-member faction founded by former Prime Minister Noboru Takeshita intensified after former LDP Vice President Shin Kanemaru resigned from the Diet on October 14 after receiving a summary indictment over the Tokyo Sagawa Kyubin scandal.

Kanemaru's retirement followed public outrage over the prosecutors' perceived leniency with the fallen kingpin, who paid a 200,000 yen fine for accepting 500 million yen in illicit political donations from the mob-linked parcel delivery firm.

Miyashita Hints Military Cuts Ahead of Schedule

OW2810162192 Tokyo KYODO in English 1242 GMT 28 Oct 92

[Text] Bangkok, Oct. 28 KYODO—The Japanese Government is considering cutting the 22.75 trillion yen medium-term defense budget for fiscal 1991-95 one year ahead of its expiration, Defense Agency Chief Sohei Miyashita said here Wednesday.

The agency chief's comments, made at a briefing for Japanese reporters at a Bangkok hotel, will touch off a series of negotiations between the agency and the Finance Ministry over the extent of the reduction in time for the year-end compilation of the budget.

Miyashita said it would be difficult to make the cuts in defense backup facilities.

"We'll have to resort to postponing up-front equipment to a certain extent," Miyashita said.

Miyashita refused, however, to elaborate on his earlier comment in the Diet that the reduction would amount to more than 100 billion yen.

"We'll be negotiating with the Finance Ministry from now on," he said.

Official Sees Production Turnaround Next Year

OW2810192892 Tokyo KYODO in English 0943 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—A top Ministry of Finance (MOF) official said Wednesday that industrial production is likely to pick up soon after the new year begins as inventory adjustments will be over by the yearend in most industrial sectors.

Pointing to the latest production and inventory statistics, the official said, "We are now in a position to be able to expect an end to inventory adjustments in most sectors and a following upturn in output soon after the new year begins."

The official said, however, it is too early to say when the overall economy would begin to regain strength.

He said that consumer spending might remain weak for some time into the next year.

But he said the economy would not deteriorate further, noting "It is crawling on the bottom now and we are beginning to see some signs that spell a recovery not far down the road."

On consumer spending, the official, who spoke on condition of anonymity, claimed that the fiscal and monetary stimulus already applied would soon start bolstering consumer confidence and encouraging people to open their wallets wider.

The official also said the MOF will announce on Friday the amount of bad loans held by 21 major commercial banks at the end of September. But he declined to give any further information about the nonperforming loans.

Asked about the coming meeting of aid suppliers to former Soviet republics, he said Japan would not receive any requests from the republics for new financial assistance.

He said the meeting, to be held on Thursday and Friday in Tokyo, will be about humanitarian and technical assistance to the republics, and that financial assistance "is not on the agenda."

Marubeni Revises Midterm Business Outlook Upward

OW2810193192 Tokyo KYODO in English 0928 GMT 28 Oct 92

[Text] Tokyo, Oct. 28 KYODO—Major trading house Marubeni Corp. said Wednesday it has revised upward its midterm business outlook due to improvement in its interest burden and the recovery of stock prices.

The company said its pretax and net profits for the six months ended September 30 are estimated at 15 billion yen and 7.5 billion yen, respectively, about 50 percent higher than originally estimated.

Sales will be about 8.2 trillion yen, up 2 percent over the original projection, Marubeni said.

Despite the upward revision, the company's half-year pretax and net profits will respectively be about 34 percent and 37 percent lower than the year before with sales falling 5.5 percent, it said.

Marubeni said its interest burden decreased about 5 billion yen because of dropping interest rates.

In addition, it said the bearish stock market helped trim appraisal losses on its stock holdings.

BOJ's Mieno Comments on Inventory Adjustment

OW2910080092 Tokyo KYODO in English 0711 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Bank of Japan Governor Yasushi Mieno predicted Thursday that the ongoing inventory adjustment by manufacturers will be completed in the near future.

Mieno told a news conference the central bank will continue to carefully monitor the cumulative effects of a series of official discount rate reductions and the government's 10.7 trillion yen pump-priming package unveiled in August.

He said the inventory adjustment process has progressed substantially, except in the automobile and electrical sectors, and is expected to be completed in the near future.

The slow expansion of the nation's money supply in recent months is attributable to sluggish demand for capital by corporations but the matter requires close scrutiny, Mieno said.

Referring to a huge amount of bad loans held by commercial banks, Mieno said the banking institutions have ample resources to overcome the problem and the central bank will do its utmost to preserve the existing financial system.

Mieno Says Consumer Spending To Remain Weak

OW2910081592 Tokyo KYODO in English 0805 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Bank of Japan (BOJ) Governor Yasushi Mieno said Thursday that consumer spending would continue to be sluggish for some time, but added that inventory adjustments would end before long.

Mieno also said at a press conference that the feeble money supply growth is mainly a product of weak demand for funds among companies, brushing aside the argument that banks are tightening their lending spigots too much.

Referring to reports by BOJ branch heads on local economies in their meeting Tuesday and Wednesday, Mieno said consumers have become even more cautious about opening their wallets, with spending also declining in the leisure and service sectors which had been largely unaffected by the economic slowdown until recently.

Noting that restricted industrial production may adversely affect workers's wages and that inventory adjustments of consumer goods will continue to be severe, the central banker said "the fundamentals of consumer spending will inevitably remain weak."

Mieno added, however, that consumer confidence is unlikely to deteriorate further, pointing to stable prices and relatively good employment conditions.

"There is not much likelihood of consumer sentiment taking a further downturn," he said.

Mieno was optimistic about the outlook for the inventory correction, which has been the principal drag on the economy.

"Inventory adjustments have progressed fairly well" in most industrial sectors except for the auto and home electric untilities fields, he said.

Adjustments will end in many sectors "before long," he said.

Asked about the virtual halt in money supply growth, Mieno said it should be blamed mainly on the weak corporate demand for capital.

He stressed that banks are quite eager to lend to creditworthy borrowers.

Mieno added that the increase in lending by government institutions is due to the fact that their loans carry long-term fixed interest rates and often lower interest rates than those charged by commercial banks.

Prime Minister Kiichi Miyazawa recently expressed concern about the overly cautious lending stance of banks, pointing to the increasing loans by government institutions as an indication that fund demand is not weak as Mieno says.

On the overall condition of the economy, Mieno said adjustments are also spreading in local economies, with the final demand languishing.

But when the stock adjustment pressure finally eases and the effects of the fiscal stimulus package start making themselves felt, the economy will eventually bottom out, he said.

Mieno predicted, however, that with no powerful engine to pull business up very vigorously, the "tempo of the recovery will be very slow."

Mieno: Central Bank To Help Bail Out Banks

OW2910091892 Tokyo KYODO in English 0852 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Bank of Japan (BOJ) Governor Yasushi Mieno said Thursday the central bank is ready to help bail out financially troubled banks on a case-by-case basis.

Mieno made the remark in a regular meeting with chairman Gaishi Hiraiwa and other leaders of the Federation of Economic Organizations (Keidanren), BOJ and Keidanren officials said.

The BOJ recently decided to send retired central bank officials to the financially troubled Hyogo Bank in Kobe to help rehabilitate the bank.

Mieno also told the executives that Japan's money supply has recently decreased because banks are becoming more cautious in lending operations and businesses have less need for funds.

Banks Agree on Plan for Property-Buying Agency

OW2910120792 Tokyo KYODO in English 1056 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—A consortium of major banks led by Mitsubishi Bank has agreed on a blueprint for a company to help liquidate real estate held by banks as collateral against nonperforming loans, banking sources said Thursday.

The new company will be funded not only by major banks including commercial banks but also by Norinchukin Bank and other financial institutions plagued by bad debts, the sources said.

The details of the scheme, which was first suggested by the Finance Ministry in August to help Japanese banks handle the growing problem loans, will be announced Friday, they said.

The primary objective of the entity is to help banks write off bad loans secured by real estate now that the real estate market has turned very sluggish.

The collective finance company will purchase both real estate held by banks as collateral against bad loans and claims on the companies that owe the loans.

When the company buys real estate from a bank, that will set the amount of the loan loss for the bank, which is the difference between the original loan and the value realized on the sale of the collateral.

An independent committee will be set up to decide on reasonable purchase prices in order to prevent real estate prices from soaring again.

The new company will be capitalized at about 5 billion yen and have a 30-strong staff, with annual operating costs expected to be 300 million yen.

The company will buy 2 to 3 trillion yen worth of land held as collateral against bad debts in its first year of operation.

Banks that sell real estate to the company will be required to loan the funds necessary for the purchase and to pay the costs, taxes, and commissions involved in the transaction.

If the collective finance company resells the property for less than it bought the property, the difference will be paid by the bank.

If the resale price is higher, the profits will be given to the bank.

The real estate purchased by the new company and the price will be made public generally.

The company will be established by the end of the year and is expected to start operating at the beginning of the next year.

Finance Ministry Plans To Trim Original Budget

OW2910102892 Tokyo KYODO in English 1013 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—The Finance Ministry plans to shave its original budget for the current fiscal year by 728.3 billion yen to cover the massive tax revenue shortfall resulting from the prolonged economic slump, ministry officials said Thursday.

The ministry will allocate an additional 2,992.3 billion yen to the government's investment and loan program under the revised fiscal 1992 budget.

The planned revisions, reported earlier in the day at a ruling Liberal Democratic Party's Policy Affairs Research Council meeting, will be approved at a regular cabinet meeting Friday for submission to the extraordinary Diet session to be convened later Friday.

The budget for fiscal 1992, which began April 1, was 72.2 trillion yen.

The budget cut, the first such move in six years, stemmed from a 4,873 billion yen shortfall in tax revenue. The ministry was last forced to reduce the budget in fiscal 1986, when the strong yen induced a recession and sizably reduced tax revenues.

The ministry officials said the budget downsizing, however, will not make a dent in the economy, citing the economic boost from the additional public works spending included in the revised budget.

The extra public works outlays are one of the centerpieces of the government's 10.7 trillion yen economic bailout package unveiled in late August.

To augment the effects of the package, the government has said it will compile a supplementary budget this fall but the drawn-out economic slowdown has made that impossible as tax revenues were far short of the government's original projection of 62.54 trillion yen.

To fill the gap, the ministry plans to use 1,586 billion yen left over from the last fiscal year and 302.6 billion yen in nontax payments from the Bank of Japan.

The government also plans to issue 2,256 billion yen worth of construction bonds for financing the additional public works.

Even then the entire budget will nave to be trimmed, and the ministry will exercise austerity in its spending as shown by a planned 1,568.2 billion yen slash in grants to local governments.

MITI Hails Court Ruling on Nuclear Reactors

OW2910081692 Tokyo KYODO in English 0744 GMT 29 Oct 92

[Text] Tokyo, Oct. 29 KYODO—Two antinuclear citizens groups Thursday lost their battles against the Fukushima and Ikata nuclear reactors when the Supreme Court dismissed their suits to withdraw construction permits for the reactors for safety reasons.

The court ruled the government had not violated regulations for safety examinations by issuing the permits as the plaintiffs had alleged, and that its decision to declare both reactors safe was made in accordance with law. The ruling upheld several lower court decisions.

It said there were no errors or defects in the comprehensive examination process. But the ruling also set a standard for future cases by reiterating that the government must make a comprehensive decision based on the best and latest technological, scientific knowledge and hearings by the Atomic Energy Commission and the Nuclear Safety Commission.

"The issuing of a permit must be ruled illegal if there are major errors during the hearing of the board of examining experts or the concrete examination standards are inconsistent," the ruling said.

The disputed reactors are Fukushima No. 2, in Okuma, Fukushima Prefecture, a 784,000 kilowatt boiling water reactor in operation since July 1974, and the 566,000 kilowatt pressurized water reactor Ikata No. 1 in Ikata, Ehime Prefecture, which began operating in September 1977.

It comes as opposition to nuclear power is increasing in the aftermath of international nuclear accidents like the 1986 Chernobyl disaster in Ukraine. Japanese citizens' trust in nuclear safety was further cut when the emergency core cooling system of Mihama No. 2 reactor in Mihama, Fukui Prefecture, had to go into operation after radioactive steam leaked in February 1991.

The ruling, however, will likely deal a major blow to antinuclear activities, as the two groups of residents living close to the Ikata and Fukushima reactors were the first citizens to file administrative lawsuits against reactors for safety reasons.

Since the 16-member anti-Ikata group filed its suit in 1973 and 17 plaintiffs filed the Fukushima suit in 1975, 11 more groups have filed similar, still pending, suits doubting reactor safety.

According to the Ministry of International Trade and Industry (MITI), Japan at present generates 27 percent of its electric power in 42 nuclear reactors.

To reach a projected 43 percent share for nuclear power, 23 more reactors with an output capacity of 1,000,000 kilowatts of electricity have to be built beyond the 13 presently planned or already under construction, MITI officials said.

"As this is the first Supreme Court decision to rule the government's permission for the construction of a nuclear reactor is legal, it has a very big significance," MITI Minister Kozo Watanabe said in welcoming the court decision.

Fusaichi Hirono, 80, spokesman for the Ikata plaintiffs said, "If we think about all the nuclear accidents that happened after we filed suit, the content of the court ruling is unbelievable."

He said for him the issue was not settled with the court decision and that he would continue to organize local opposition to nuclear power.

North Korea

More Reaction to Decision on Team Spirit

Foreign Ministry Issues Memorandum

SK2910023292 Pyongyang Korean Central Broadcasting Network in Korean 2300 GMT 28 Oct 92

[DPRK Foreign Ministry 28 October memorandum denouncing U.S. and South Korean authorities' decision to resume the Team Spirit exercise—read by announcer]

[Text] A nuclear war exercise and dialogue are incompatible. Dialogue is for reconciliation and peace, and the nuclear war exercise is aimed at distrust and confrontation. It is only too self-evident that dialogue cannot be successfully carried out under the circumstances of staging a military exercise against a dialogue partner.

Proceeding from the patriotic and nation-loving stance to bestow a bright vista for reunification upon fellow countrymen by making North-South dialogue successful at any cost, our Republic has been strongly calling for the United States and the South Korean authorities to suspend the Team Spirit joint military exercise since the first day when the exercise was staged on the Korean peninsula. The dialogues, which were arranged between the North and the South with much effort, were suspended on many occasions in the past because the United States and the South Korean authorities staged the Team Spirit joint military exercise despite our consistent opposition.

Fortunately, however, they suspended the Team Spirit joint military exercise this year. As a result, the North-South high-level talks were continually held this year. North-South historic documents of agreement were adopted and effectuated and joint committees have been formed and implemented. Nevertheless, entering a stage in which the North-South ageement can be practically implemented, they openly declared to resume this war exercise again beginning next year.

Recognizing that the attempt of the United States and the South Korean authorities to resume the Team Spirit joint military exercise, which is a nuclear attack exercise against the partner of dialogue, is not only a flagrant violation of the North-South agreement and the joint declaration of denuclearization, but is also a scheme to deliberately destroy North-South dialogue by reversing the situation on the Korean peninsula to a starting point of confrontation, the DPRK Foreign Ministry issues a memorandum revealing the criminal content of the war exercise.

1. The Team Spirit Joint Military Exercise Is a Product of the U.S. Asian Policy

The United States has regarded dominating Asia as a matter of paramount importance in realizing its strategy for world hegemony. In particular, it has regarded the Korean peninsula as its most important military stronghold.

The United States holds that the conversion of South Korea into a military stronghold is the core of its Asian military policy and that it is an important task of Asian policy to dominate the Korean peninsula because South Korea must be the foremost line of the U.S. strategy along with Europe. (South Korean radio no 1, 27 March 1982)

Having suffered a setback in the Vietnam war in the middle of the seventies, the United States pursued a policy of further tightening its grips on South Korea militarily in order to continue maintaining its position in the Asia-Pacific region. The military exercise code-named Team Spirit, which is staged jointly by the United States and South Korea, started in 1976.

Entering the eighties, the Reagan administration escalated the Team Spirit joint military exercise according to the new strategic concept of its policy of attaching great importance to the Korean peninsula. The military exercise was further strengthened into a nuclear war exercise simulating an all-out war.

Concerning this, the South Korean magazine ANJONBOJANG [SECURITY GUARANTEE], in its May 1981 issue, wrote: With the inauguration of the Reagan administration, the importance of U.S. military bases overseas, including Korea, has been highly assessed, and the Team Spirit exercise itself has come to assume a new position and new characteristics. Strengthening the Team Spirit exercise is synonymous with upgrading the position of South Korea to the level of NATO.

TONGIL PYONGNON [REUNIFICATION REVIEW], a monthly magazine published in Japan, in its July 1991 issue, wrote: Since 1983, the new doctrine of air-ground warfare has been used in the Team Spirit exercise, and, consequently, the character of the exercise has changed from a defensive type to an active counter-attacking type.

The Team Spirit joint military exercise aimed at our Republic is a nuclear war exercise which has been escalated under the pretext of a protective nuclear umbrella according to the U.S. Government's policy.

The Team Spirit joint military exercise, which has been staged by the United States and the South Korean authorities for 16 years, has increased tension on the Korean peninsula and created grave obstacles to peace and reunification.

Because the United States and the South Korean authorities suspended the Team Spirit joint military exercise this year, we hoped that they would no longer resume this exercise in the future in response to the spirit of the developing North-South dialogue on the Korean peninsula. Nevertheless, at the 24th annual Security Consultative Meeting some time ago, the United States and the South Korean authorities discussed resuming the Team Spirit joint military exercise, shelving the second-phase reduction plan of U.S. forces stationed in South Korea, and deploying in South Korea a rapid deployment force that could attack us. This shows that the United States is trying to continue to adhere to South Korea as its military strategic point and as its main card in creating an atmosphere and condition to hold the Team Spirit joint military exercise. This is as clear as seeing a fire.

This proves that the Team Spirit joint military exercise derives from the anachronistic U.S. Asian policy to establish military domination over the Asia-Pacific region with South Korea as the stronghold.

2. The Team Spirit Joint Military Exercise Is a Nuclear War Exercise

In its character, scope, and content, the Team Spirit joint military exercise is clearly being conducted as a simulated nuclear war exercise. The reason that the Team Spirit joint military exercise is regarded as a nuclear war exercise is explained by the fact that it is being staged in the biggest nuclear storage house in the Far East.

Underground nuclear storage houses, nuclear bases which nuclear-powered aircraft carriers and nuclear-powered submarines can enter any time, and various types of planes with nuclear capability are deployed in South Korea. Also deployed in South Korea are the nuclear program operational unit that develops nuclear launching programs by analyzing targets of nuclear attack, and a nuclear quick reaction force which remains alert in a war posture at all times over their control of nuclear weapons so as to be able to take off within five minutes with nuclear bombs in the case of an emergency.

Recently the United States and the South Korean authorities babbled about the so-called declaration on the absence of nuclear weapons and declaration on the withdrawal of tactical nuclear weapons, but testimonies of witnesses have proven the existence of nuclear weapons in South Korea.

Chong Chu-yong, former honorary chairman of South Korea's Hyundai Group, was in charge of a top-secret project for the stockpile of U.S. Forces' atomic bombs. He said that he supervised the project on the spot. (South Korean paper SEOUL SINMUN, Japanese paper ASAHI SHIMBUN, 6 March 1992)

According to the September 1992 edition of South Korea's monthly magazine MAL, Kwak Cha-mun, who once served as a translator and liaison officer of the technical assistance room of the U.S. naval base in Chinhae; and Paek Won-su, who is now serving as a liaison officer in charge of the management of the Chinhae nuclear submarine base, testified that from the spring of 1979, construction of a nuclear submarine dock facility at the Chinhae pier was secretly promoted and that the nuclear submarine dock facility is being repaired and improved even now. U.S. nuclear submarines are continuously entering the Chinhae port.

They also testified that particularly from 1979 to 1982 when the Team Spirit exercise was taking place, U.S. nuclear submarines loaded with tactical nuclear weapons called at the port on about 40 occasions and frequently called at the base even during peace time.

According to their testimony, the tactical nuclear weapon that can be loaded in the Los Angeles and Sturgeon class nuclear submarines which call at the Chinhae base, is the Tomahawk cruise missile loaded with nuclear warheads. This missile is loaded with a 200-kiloton nuclear warhead. Its explosive power is 20 times that of the nuclear bomb that was dropped on Hiroshima and 10 times that of the nuclear bomb that was dropped on Nagasaki.

Moreover, 12 to 27 nuclear missiles can be loaded for offensive use in one nuclear-powered submarine that calls at this base. They say that this can make ashes of major cities throughout North Korea. Therefore, it is all the more clear that the military exercise which is being staged on the nuclear storage house is a nuclear war exercise. The forces mobilized in the Team Spirit joint military exercise also goes to prove that this war exercise is a nuclear war exercise.

In the Team Spirit joint military exercise, the U.S. nuclear Strategic Command, the main duty of command in a nuclear war, is participating. The carrier flotilla of the U.S. Seventh Fleet, often called a moving nuclear base; the B-52 strategic bombers which are considered to be one of the three pillars of the U.S. strategic nuclear forces; and the E-4B, a total nuclear war command plane specially designed and manufactured for the U.S. President and the Department of Defense to command the war in the air in the event of a total nuclear war, are also participating in the exercise.

Retired U.S. Admiral Laroque first confessed in March 1983 that the U.S. Strategic Command was taking part in the 1983 Team Spirit joint military exercise by involving the Enterprise, and that the nuclear war was being staged under simulated conditions. (Korean News Agency 23 March, 1983 from Tokyo)

The April 1984 edition of TONGIL REVIEW said the introduction of new state-of-the-art nuclear weaponry in the ROK as used in the recent Team Spirit exercise indicate that exercises for possible flexible deployment use [yuyondaebisayong] were also being conducted. It pointed out that these facts show that the number of nuclear weapons possible for deployment in South Korea considerably exceeds the practical number.

In fact, the nuclear war exercises which have been conducted on the Korean peninsula include great danger. This is because nuclear weapons may be used anytime according to the local commander's decision.

The July 1987 issue of the Japanese magazine MILITARY REVIEW notes: Nuclear weapons play a key role in attack. There is the danger that the commander of the U.S. Forces in the ROK can launch a unilateral nuclear attack without prior notification.

NEW KOREA TIMES dated 19 March 1988 reveals: The Team Spirit joint military exercise which has been annually conducted on the Korean peninsula is a simulated nuclear war exercise. There is the dangerous possibility that the Korean peninsula can be the starting point of a nuclear war.

Even South Korean journal circles commented by saying: The Team Spirit exercise is a conventional war exercise and a general military exercise simulating nuclear war on the Korean peninsula. (YONSEI CHUNCHU 26 October 1987)

All facts clearly show that the Team Spirit joint military exercise is obviously an adventurous nuclear war exercise.

3. The Team Spirit Joint Military Exercise Is an Offensive Exercise Targeting the Republic

The United States and the South Korean authorities are making all efforts to conceal the criminal characteristics of the Team Spirit joint military exercise which has been conducted in South Korea. The United States and the South Korean authorities are busy advertising the Team Spirit joint military exercise as a defensive one. However, judging from the components, scale, and equipment of the military forces mobilized in the Team Spirit joint military exercise and from the method, contents, and period of the military exercise, it is clear that the Team Spirit joint military exercise is a military exercise to make a preemptive attack on our Republic, a partner in the dialogue.

In order to stage landing and river-crossing operations, missile attacks, nuclear bombing exercises, air strikes, commando dropping drills, and other surprise attack operations simulating strikes to the rear, the United States and South Korea have accumulated enormous military forces and military equipment on South Korea from the U.S., Guam, and Okinawa. This shows that the military exercises are not aimed at checking someone else's attack but at assaulting another.

At a civic hearing on 24 February 1989, an Australian nuclear expert Peter Hayes said that Team Spirit is an apparent offensive exercise from a military standpoint. (South Korean PYONGHWA SINMUN 2 March 1989)

The details of the Team Spirit joint military exercise have been completed and constantly supplemented to comprehensively attack the forward and rear areas of the Republic at the same time.

MONTHLY CHOSON MATERIALS dated May 1985 in Japan wrote: What should be noted in the Team Spirit exercise is that the Team Spirit exercise is a limited nuclear war test targeting the Korean peninsula.

Speaking at a U.S.-ROK defense industry meeting held in Seoul on 7 April 1987, Libsey, former commander of the U.S.-ROK Combined Forces, said that the U.S. forces would attack the heart of the North in the case of an emergency on the Korean peninsula.

The Japanese magazine MILITARY REVIEW of July 1987, writes: Air-to-ground operations that are aimed to attack deeply into the DPRK, entails the arming of aviation fire, artillery fire, and technical units mainly with nuclear weapons in order to launch a concentrated strike to annihilate the frontlines and the depths of the rear at the same time through electronic warfare.

A Japanese military expert (Hukuyosi Hyoji) noted in an article entitled "The U.S. Imperialists' Nuclear War Plan in Korea": If air-to-ground operations are conducted on the Korean peninsula, nuclear weapons may be used. Worse still, the United States does not exclude the possibility of the preemptive use of nuclear weapons. (TONGIL REVIEW July 1991)

This proves that the Team Spirit joint military exercise is a simulated nuclear war exercise that obviously aims at attacking the northern half of the Republic. The resumption of the Team Spirit joint military exercise by the United States and the South Korean authorities is a wanton infringement of the North-South agreement and the Joint Declaration of Denuclearization.

The North-South agreement and the joint declaration of denuclearization are historic documents of agreement solemnly pledging before the entire fellow country and the world that the North and the South will seek reconciliation and unity, that they will not fight against each other, and that they will remove the danger of a nuclear war. For this reason, no one can violate and revoke the North-South agreement and the joint declaration of denuclearization at will.

The United States and the South Korean authorities should make a bold decision to immediately withdraw their decision to resume the Team Spirit joint military exercise.

If the United States and the South Korean authorities dare conduct the Team Spirit 93 joint military exercise against our protests and warnings, they will have to be held fully responsible for the consequences that result.

28 October 1992, Pyongyang.

Commentary Calls Exercise 'Threatening'

SK2810152992 Pyongyang Korean Central Broadcasting Network in Korean 0017 GMT 26 Oct 92

[NODONG SINMUN 26 Oct commentary: "Which Way Will South Side Drag North-South Relations?"]

[Text] The South Korean authorities' recent acts arouse the deep concern and indignation of the entire nation and the world's peace-loving people who aspire after reconciliation, detente, peace, and reunification. As has been exposed, the South Korean military fascist force visited Washington and had a military plot with its U.S. master. While recklessly finding fault with us in this plot, a party to dialogue, it agreed not only to resume the Team Spirit joint military exercise, but also to freeze the second phase reduction of the U.S. forces in South Korea and to deploy in South Korea the flexible deterrence option forces with a main stress on the U.S. air forces and naval war strength.

The South Korean rulers let the Agency for National Security Planning [NSP] announce the outcome of its investigation into the so-called Workers Party of Korea spy case in South Korea. With this case as an opportunity, they are launching a large-scale strategic offensive against us, a party to dialogue, including issuance of the statement to the North. The South Korean ruling group is militarily threatening us with the United States and inspiring the awareness of confrontation in the people. It is also perpetrating a wholesale suppression by threatening, blackmailing, surveilling, and oppressing persons who offend them and all the social political forces which they deem as an obstacle in the military fascist group's regaining power, under the slogan of punishing the leftist forces.

These are acts which run counter to the overall situation on the Korean peninsula, which is moving toward detente and reconciliation after the North and the South promised nonaggression, and to the present current, which is flowing toward peace and disarmament after the cold war structure collapsed. As a result, these constitute a vicious challenge to the entire Korean nation which aspires after the country's peace and reunification and to the world's conscience which loves justice and peace. Moreover, it constitutes an outrageous act violating the agreement and the joint declaration on denuclearization adopted and effectuated between the North and the South and an intolerable treacherous act which tries to destroy the reconciliation and dialogue between the North and the South and to turn the situation back to the starting point of confrontation.

As has been known, the two sides of the North and the South adopted and effectuated the annexed agreements in various domains to implement the North-South agreement at the eighth North-South high-level talks held in Pyongyang last September, thus providing the conditions under which each joint committee to implement these annexed agreements can be set in motion. This also made it possible for the North and the South to have a design and the organs for implementation in order to clear up the political and military confrontation and deepen multilateral cooperation and exchange. This also means that all fields have entered a stage of practically implementing the North-South agreement.

While welcoming the North-South relations which are improving, all the people are also really expecting that the items agreed between the two sides will be immediately implemented in a good atmosphere. At this very moment, the South Korean rulers are openly perpetrating acts of antidialogue, antipeace, and antireunification together with outside force in defiance to this. We cannot repress our surprise at this.

The South Korean rulers are babbling about misgivings of the North's nonexistent nuclear development and its nonexistent attempt to communize the South. These are nothing but petty excuses designed to justify their criminal acts. As we have repeatedly made clear, we have neither intent to harm our fellow countrymen with nuclear and nor intent to communize South Korea.

Our Republic's government has put forward a number of peaceful proposals in recent years, including a comprehensive disarmament proposal for solid peace and security on the Korean peninsula and a proposal for phased reduction of armed forces. According to these proposals, it took a unilateral action to reduce armed forces and a practical action to turn the Korean peninsula into a denuclearized and peaceful zone. Our Republic is sincerely fulfilling its international duties in accordance with the nuclear safeguards accord.

The integrity of the nuclear policy of our Republic's government, which is using nuclear power only for peaceful purposes, has been already confirmed through nonregular inspections conducted on several occasions by the International Atomic Energy Agency [IAEA]. We are making sincere efforts to implement the joint declaration on denuclearization adopted and effectuated between the North and the South. The U.S. and South Korean authorities declared that they would suspend the Team Spirit joint military exercise to help in relaxing tension on the Korean peninsula and to help the progress of North-South relations before the IAEA's inspection of our nuclear facilities began.

However, at a time when nuclear inspections have been smoothly carried out, and thus it has been verified that our nuclear facilities are for peaceful purposes, attempting to resume the exercise while talking about suspicions on nuclear development is an absurd far-fetched assertion.

The military steps taken at the 24th South Korean-U.S. annual Security Consultative Meeting, including resuming the Team Spirit joint military exercise, only proves that the United States and the South Korean military fascist force are attempting to aggravate the situation in Korea at any cost under all possible excuses, to keep U.S. forces and nuclear weapons in South Korea, using it as an excuse, and thus to ignite a new war.

The nuclear issue in Korea did not come from us, but came into being when U.S. nuclear weapons were introduced into South Korea. The United States announced a so-called declaration of withdrawing tactical nuclear weapons from South Korea in an effort to make people believe it had completely withdrawn all of its nuclear weapons from South Korea, and the person in authority of South Korea also announced a so-called declaration on the absence of nuclear weapons.

However, that these declarations are a lie has been completely verified by the fact that a person concerned directly involved in building underground nuclear armories in South Korea has revealed that nuclear weapons are still hidden in these armories and by the fact that a person working at Chinhae naval base has revealed that submarines carryinfg strategic and tactical nuclear weapons are still calling at the base even today.

At the North-South Joint Nuclear Control Committee meeting the South side desperately opposed the overall inspection of U.S. nuclear weapons and nuclear bases in South Korea. Needless to say, this is because nuclear weapons are deployed in South Korea. Clamoring about nuclear threat, laying blame on us, who possess no nuclear weapons, while deploying nuclear weapons and staging a nuclear war exercise, is indeed a brazen-faced act.

That the South Korean authorities are attempting to resume the Team Spirit joint military exercise under the pretext of the nuclear issue is a brigandish act, like a thief turning on the owner. We cannot but regard it as a deliberate act of destroying North-South dialogue, as a declaration for overall confrontation against us, and as a declaration of refusing to implement the North-South agreement and the joint declaration of denuclearization.

The so-called North's strategy for communization about which the South Korean authorities are clamoring by fabricating the so-called case of the Workers Party of Korea in South Korea and by noisily advertizing it is indeed preposterous.

As our proposal for founding a democratic confederal republic of Koryo shows, our stance is to reunify the country by way of founding a confederal state, in which the North and the South exercise regional autonomy respectively, leaving the ideologies and systems in the North and the South as they are.

The so-called case of the Workers Party of Korea in South Korea that the South Korean rulers are noisily clamoring about is nothing but their self-making drama fabricated to turn public sentiment into anticommunist confrontation and to assume the reins of power again by way of using a shock therapy under today's situation in which the fascist ruling forces have been rejected by the people on the eve of the upcoming presidential election and in which their interior has been utterly disorganized. It is also nothing but a hackneyed smear anticommunist drama fabricated proceeding from the insidious political aim of attempting to return North-South relations to relations of confrontation.

The South Koran rulers' attitude of attempting to satisfy their dirty political aim even by fabricating an insidious political smear drama and, thus, by driving North-South relations into relations of confrontation cannot but be indeed an act arousing national indignation, going beyond deplorable.

The South Korean rulers affixed a seal to the annexed agreements while sitting face-to-face with us, fellow countrymen, yesterday and reversed the agreements as soon as they left the negotiation table today. These are perfidious acts which make the people sad. These are also antinational, flunkeyist stances which try to attack the fellow countrymen without hesitation in collusion with outside forces.

One of the basic spirits of the North-South agreement is the nation's independent spirit in which the North and the South will independently solve the problems by pooling their strength among the fellow countrymen without relying on outside forces. This lofty independent spirit gives an invaluable significance to the North-South agreement.

If one treasures a conspiracy with an outside force more than the promise which one made with the fellow countrymen just as the South Korean authorities did, and if one places outside forces' interest before the national interest, how will the future of the agreement and the nation's destiny turn out? The antinational and flunkeyist acts of the South Korean rulers, which cast a dark shade over the implementation of the North-South agreement and the nation's destiny as well as the future of the North-South relations, can never be tolerated.

Reconciliation, cooperation, peace, and reunification between the North and the South are the whole nation's long-cherished desire and the nation's historical demand. What is required of the responsible authorities of the North and the South now is to faithfully implement the North-South agreement, in which they promised to resolve the questions of the country's peace and reunification by the efforts of the nation itself from an independent position.

If the South Korean rulers continue to cling to the commotion fabricating anticommunism in collusion with outside forces and try to delay and suspend the implementation of the North-South agreement, they will not only lose their qualification as a party to dialogue with us, but also cannot evade the criticism of the nation denouncing that they are an enemy of peace and reunification, and flunkeyists.

The South Korean authorities know the fact well that whenever they conducted the Team Spirit joint military exercise together with the United States, the North-South dialogues for the country's peace and reunification were suspended or ruined all at once, and thus the situation used to return to the original state of confrontation and distrust.

If the South Korean authorities have a modicum of national conscience, they should unconditionally revoke first the unjust decisions made to resume the Team Spirit joint military exercise and to freeze the reduction of the U.S. forces in South Korea and take actions for withdrawing the U.S. forces and nuclear weapons from South Korea. They should also frankly admit that the so-called case of the Workers Party Korea in South Korea is a strategic drama that they invented for a campaign strategy and apologize for it.

At the same time, they should immediately dissolve the Agency for National Security Planning which is a hotbed of espionage stratagems and a headquarters of suppression. They should also abolish the antireunification fascist vicious National Security Law, unconditionally and immediately release all the figures whom they arrested for complicity in the false case, and discontinue the anti-Republic strategic commotion.

The United States coaxed the South Korean authorities to make the military plot and decided to resume the Team Spirit joint military exercise and to reinforce the aggressive armed forces contrary to the flow of the overall situation. This reveals that they did not give up their attempt to militarily threaten our Republic while even clinging to the policy of strength. This also stirs up the opposition and protests of the world's people who love justice and peace.

The United States should squarely look at the flow of the situation, refrain from increasing the tensions on the Korean peninsula, withdraw its occupation forces and nuclear weapons from South Korea without delay, and do things helpful to the implementation of the North-South agreement and joint declaration on denuclearization.

If the United States and the South Korean authorities try to aggravate confrontation and tension by resuming the Team Spirit joint military exercise, lending a deaf ear to our advice, all the dialogues including the North-South high-level talks would be in jeopardy, grave difficulties would be laid in the way of the implementation of the North-South agreement, and they would be held wholly responsible for all the consequences arising therefrom.

The progress of the North-South relations and the implementation of the North-South agreement and joint declaration on denuclearization depend upon the South side's attitude. The entire nation and the world's conscience will keep eyes on their attitude.

Reunification Figure Holds News Conference

SK2810064792 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 27 Oct 92

[News conference by Paek Nam-chun, director of the Secretariat of the Committee for the Peaceful Reunification of the Fatherland (CPRF), with North Korean reporters at the People's Hall of Culture in Pyongyang on 27 October—recorded]

[Text] [Paek Nam-chun] A joint meeting of the government, political parties, and organizations was held in connection with the U.S. imperialists and the South Korean authorities attempt to resume the Team Spirit joint military exercise. The joint meeting was convened at an acute time when the situation on the Korean peninsula is standing at the crossroads of dialogue or confrontation and at peace or war in the wake of the decision by the U.S. and South Korean authorities to resume the Team Spirit joint military exercise, beginning next year.

The North-South agreements were adopted and effectuated at the eighth North-South high-level talks held last September. In November the joint committees are to operate earnestly and, accordingly, the agreements are to be put into practice.

The nation and the progressive people of the world unanimously want the North-South agreements to be implemented at an early date so that reconciliation and unity can be achieved on the Korean peninsula and solid peace can be guaranteed there.

At this very time, the South Korean authorities, on one hand, fabricated the smear spy ring case, laying the blame on us, the other party of dialogue, and kicked up a commotion of confrontation. On the other hand, they visited the United States and agreed with their boss to resume the provocative Team Spirit joint military exercise, preposterously linking it with our nuclear issue. Consequently, North-South relations—which developed favorably—have become tense again, and the situation on the Korean peninsula has become extremely acute.

As an effort to solve this grave situation, a joint meeting of the government, political parties, and organizations was convened to jointly cope with the decision of the United States and the South Korean authorities to resume the Team Spirit joint military exercise.

At the joint meeting Comrade Yun Ki-pok, secretary of the Central Committee of the Workers Party of Korea, vice chairman of the Committee for the Peaceful Reunification of the Fatherland [CPRF], and chairman of the North side's Headquarters of the Pan-National Alliance for the Country's Reunification, made a report, followed by the discussions by representatives from the State Administration Council, political parties, and organizations.

The report and discussions unanimously pointed out that the decision of the U.S. imperialists and the South Korean authorities to resume the Team Spirit joint military exercise under the pretext of our nuclear issue and their aggravation of North-South relations are a grave act of deliberately destroying all dialogue for North-South reconciliation, including North-South high-level talks. The report and discussions also stressed that all Korean compatriots at home and abroad should pool strength and wage a nationwide struggle to check and frustrate the maneuvers for resuming the Team Spirit war exercise. In particular, the report and discussions sincerely discussed concrete measures to cope with the grave situation created by the maneuvers of the U.S. imperialists and the South Korean authorities to resume the Team Spirit joint military exercise.

The joint meeting adopted a letter to governments, political parties, and parliaments of all the countries of the world and a letter of decision [kyolchongso] based on the contents of the report and discussions. Today's convocation of the joint meeting of the government, political parties, and organizations and adoption of the letter of decision and the letter are active steps to sweep out the dark clouds of a new war, a nuclear war, which is coming to the Korean peninsula. It is an independent measure to check and frustrate the war provocation manuevers of the U.S. imperialists and the South Korean authorities and, thus, open a new situation of peace and peaceful reunification.

Reflected in this are our patriotic and nation-loving spirit and ardent heartedness to treasure more than anything else the North-South agreement and annexed agreements—which are the fruition of the efforts we have made thus far—and to put them into practice without fail so that we can bestow joy upon all our fellow countrymen. Reflected in this are also the consistent peace-loving stance of our party and the government of the Republic toward dialogue and peace, not toward confrontation and war.

This has been my brief report on the joint meeting.

[Korean Central News Agency reporter] I am a Korean Central News Agency reporter. At this time, the United States and the South Korean authorities raised our nuclear issue as a pretext for resuming the Team Spirit joint military exercise. What do you think of this? I also want to know your opinion on the resumption of the Team Spirit joint military exercise.

[Paek] Our nuclear issue cannot be a reason for resuming the Team Spirit joint military exercise. The Joint Nuclear Control Committee is now discussing North-South nuclear inspection. Because the North and the South are holding talks over the nuclear issue, this issue cannot be a dispute outside the meeting place. Under the circumstances in which the talks do not break down but continue, it is clear to everyone that the nuclear issue cannot be a pretext to resume the nuclear war exercise.

Moreover, we do not possess nuclear weapons. This has been clearly verified by the three irregular inspections [pijonggisachal] by the International Atomic Energy Agency [IAEA]. The U.S. imperialists and the South Korean authorities are referring to our nuclear issue. This is, in fact, an open challenge to the IAEA. This is a wanton insult to the IAEA's authority.

Worse still, after we received the IAEA nuclear inspections and today when all issues on nuclear weapons have been verified, the United States and the South Korean authorities raised our nuclear issue as a pretext for resuming the Team Spirit joint military exercise. This is unreasonable. Judging from any angle, this is absurd.

The United States, which possesses a substantial amount of nuclear weapons, talks about our nuclear development threat. We possess no nuclear weapons. This is a far-fetched allegation. This is a presumptuous pretext to conduct a nuclear war exercise with the South Korean authorities.

[NODONG SINMUN reporter] When the South Korean authorities discontinued the Team Spirit joint military exercise this year, they propagandized that the discontinuation of Team Spirit was aimed at helping to relax tensions and at developing North-South relations. Today, however, when the North and the South adopted and validated the annexed agreements and when they have operated joint committees, the South Korean authorities have decided to resume the Team Spirit joint military exercise with the United States. What do you think is the purpose for resuming the Team Spirit joint military exercise?

[Paek] I think that you may know that the South Korean authorities have uttered insincere and empty words on many occasions. The South Korean authorities said that the Team Spirit joint military exercise would be discontinued this year to relax tensions on the Korean peninsula and to improve North-South relations. I think they correctly uttered only this single phrase. Because they did not conduct the Team Spirit joint military exercise this year, dialogue has continued. As a result, the North-South agreement was adopted and validated this February. Each subcommittee has held meetings. Even though there have been turns and twists, joint committees have been operated and annexed agreements were adopted and validated. This shows that if the Team Spirit joint military exercise is discontinued, tensions can be relaxed and the North-South relations can be favorably developed.

Nevertheless, they decided to resume the provocative war exercise. This reveals that they do not desire detente between the North and the South and that they will not improve North-South relations. Instead of just talking about improving North-South relations and about implementing the agreement, if the United States and the South Korean authorities are really interested in improving North-South relations and in implementing the agreement, they should take the measure of canceling their plan to resume Team Spirit joint military exercises to help improve North-South relations and implement the agreement.

[Korean Central Broadcasting Committee reporter] Now there is danger that the situation can become very complicated and that tensions between the North and the South can become worse. Would you tell me what are the prospects for North-South relations?

[Paek] Whether North-South relations will develop favorably entirely depends upon the United States and the South Korean authorities. If the United States and the South Korean authorities withdraw the plan to resume the Team Spirit joint military exercise, all issues can be resolved.

[MINJU CHOSON reporter] According to the letter of decision adopted today at the joint meeting, civilian-level dialogue will be developed. How will civilian-level dialogue be developed?

[Paek] As you know, the cause of national reunification is a nationwide work. All Korean countrymen have the right and duty to participate in discussion and dialogue for reunification. Under the circumstances in which the South Korean authorities are trying to break down dialogue and not implement the points of agreement, we will appeal to all strata of the South Korean people for holding dialogue for reunification. I am convinced that they will positively respond to our appeal. This is because all strata of the South Korean people want the implementation of the North-South agreement and ardently desire the country's peace and peaceful reunification.

Joint Culture Committee Head Comments

SK2610064692 Pyongyang KCNA in English 0516 GMT 26 Oct 92

["Statement of Chairman of North-South Joint Committee of Social and Cultural Cooperation and Exchange"—KCNA headline]

[Text] Pyongyang October 26 (KCNA)—Kim Chol-sik, chairman of the North-South Joint Committee of Social and Cultural Cooperation and Exchange, in a statement October 25 said that since the South Korean authorities, together with the United States, agreed to resume the

"Team Spirit" nuclear war exercises, a grave obstacle has been laid in the way of social and cultural cooperation and exchange between the North and the South.

If the South side, breaking the promise it made to the fellow countrymen, start with outside forces large-scale military manoeuvres against its dialogue partner, the situation of Korea will be brought to the brink of war. It is as plain as noonday that under such circumstances it is impossible to have a sincere dialogue and it is also impossible for the members of the nation to travel between the North and the South with a sense of security when bullets and shells fly, he said, and went on:

By announcing the resumption of the "Team Spirit", the South Korean authorities revealed to all the nation and the world that they are a group of thorough-paced flunkeyists and traitors to the nation who unconditionally do what outside forces want them to do, indifferent to the interests of the nation and reunification of the country.

They must be mindful that their anachronistic dream of solving something by relying on outside forces will bring them nothing but destruction.

I strongly urge the South Korean authorities to ponder over the matter and promply withdraw the decision to resume the "Team Spirit", thus creating an atmosphere for a smooth operation of joint committees which is soon to begin.

Envoy to PRC Denounces Decision

SK2910091992 Pyongyang Korean Central Broadcasting Network in Korean 2300 GMT 26 Oct 92

[Text] A news conference took place on 21 October at our country's embassy in China in connection with the fact that the United States and the South Korean authorities have been deliberately aggravating the situation on the Korean peninsula. Chinese newspaper, news agency, and broadcasting station reporters and correspondents based in this country from various countries attended the news conference.

Chu Chang-chun, our country's ambassador, spoke at the news conference. He first pointed out: The annexed agreements have been adopted to implement the North-South agreement, and those agreements are about to be implemented. At such a time, the United States and the South Korean authorities are successively conducting war exercises for northward aggression and kicking up criminal maneuvers that aggravate the situation on the Korean peninsula to the utmost.

He referred to the fact that on 1 and 2 October, the U.S. troops and South Korean puppet troops conducted a joint aerial military exercise aimed at launching surprise concentrated strikes on targets in the central region of the northern half of the Republic. Also, a measure was taken to inaugurate a South Korean-U.S. Combined Marine Command at a recent permanent session of the military committee attended by the commander of the U.S. forces of aggression occupying South Korea and the chairman of the Joint Chiefs of Staff of the puppet South Korean forces. He disclosed that on 30 September, the Belleau Wood, a large attack landing ship of the U.S. Navy, was newly deployed for actual combat purposes in the U.S. naval base in Sasebo, Japan, which will be used as this ship's home port, and that, as a result, this base has turned from a rear support base to an attack base.

Chu Chang-chun went on to say: The South Korean authorities started the Sunggong-'92 war exercise on 11 October and fabricated the so-called South Korean Workers Party of Korea incident, thus aggravating the situation. This clearly disclosed the South Korean authorities' vicious scheme to launch a northward aggression to achieve reunification after prevailing over communism by using force of arms in pursuit of the U.S. policy of power confrontation.

He pointed out: In particular, at the 14th South Korean-U.S. Military Committee meeting and the 24th South Korean-U.S. annual Security Consultative Meeting held in Washington on 7 and 8 September, the United States and South Korea babbled about the so-called doubts of our nuclear development and decided to resume the Team Spirit joint military exercise next year and shelve the second-stage plan to reduce the U.S. forces occupying South Korea.

Referring to U.S. assistance in the puppet South Korean forces' intelligence capability and a meeting to increase South Korea's share for the upkeep of the U.S. Forces for next year, Ambassador Chu said that these maneuvers are inappropriate acts in view of the present tendency toward peace and arms reduction and the situation on the Korean peninsula, which is moving toward detente and reconciliation. They are also unreasonable acts that not only all the people in the North and South of Korea but also the Americans do not want.

He said: The previous Team Spirit exercises were grave. And trying to resume a war exercise which has been suspended is all the more grave. He stressed that the attempt by the United States and the South Korean authorities to resume the Team Spirit joint military exercise is unforgivable.

Ambassador Chu also said: The South Korean authorities manufactured the so-called South Korean Workers Party of Korea incident. This is a mere scheme to escape from the political crisis in South Korea, maintain their regime which follows outside power, suppress the South Korean people's antifascist struggle for democracy and the country's reunification, destroy a conciliatory atmosphere that has been promoted since the adoption of the North- South agreement, and divert the people's attention elsewhere.

He went on to say: This scheme by the South Korean authorities shows that they have no will to implement the North-South agreement and that because of them, no democracy or independence in society or national reconciliation or unity, the South Korean people's earnest desire, can be achieved.

He also said: For stable peace and security on the Korean peninsula, the government of our Republic has advanced a comprehensive arms reduction proposal, a phased arms reduction proposal, and various other peace proposals, unilaterally took the measure of reducing its armed forces, and took other practical measures to denuclearize the Korean peninsula.

He also said: As clearly proven by the three rounds of irregular [pijonggi] inspections by the International Atomic Energy Agency, there is no more ground for doubting our will for denuclearization. At such a time, under the pretext of doubts about our nuclear development, the United States and the South Korean authorities raised the issue of resuming the Team Spirit joint military exercise. This is a mere shameful cunning trick to soothe people's anger over their nuclear weapons and cannot be justified at all.

Ambassador Chu also said: These acts by the United States and the South Korean authorities are crimes designed to put a brake on the development of North-South relations and endanger the North-South dialogue. They are also reckless acts that cast a dark cloud over DPRK-U.S. relations which are showing signs of improvement.

He also said: Without forgetting the fact that because of the Team Spirit joint military exercise, North-South dialogue for peace in the country and its peaceful reunification has been suspended each time and that North-South relations have returned to the original state of confrontation and mistrust, the United States and the South Korean authorities must cancel their attempt to resume the Team Spirit joint military exercise and do something favorable to the North-South agreement and the joint denuclearization declaration.

In conclusion, he warned: The United States and the South Korean authorities must clearly know that if they, despite our warning, conduct the Team Spirit joint military exercise after all without suspending the adventurous, reckless war exercise designed to invade their dialogue partner, they will bear full responsibility for grave consequences that may arise therefrom.

He also answered reporters' questions.

Banks Allegedly Suspend U.S. Dollar Trading

OW2910090092 Tokyo KYODO in English 0848 GMT 29 Oct 92

[Text] Beijing, Oct. 29 KYODO—The North Korean central bank has suspended trading in U.S. dollars for diplomatic and other foreign personnel in North Korea, diplomatic sources in Pyongyang told KYODO NEWS SERVICE Thursday.

The North Korean Embassy in Beijing denied the suspension, but a Beijing expert in North Korean affairs confirmed that several dozen foreign embassy staff were refused dollars at Pyongyang banks last week.

The sources in Pyongyang said it is not clear whether the suspension is a temporary measure or long term. They said the bank ceased its dollar transfer and deposit services in early October.

The sources said banks in North Korea told them the suspension was due to the United States Government's "interference" in dollar trading.

They said Pyongyang banks were instead offering Japanese yen and German marks.

It is also not clear if the suspension applies only to foreign personnel in North Korea.

A spokesmam for a Japan-based North Korean organization confirmed his organization has fielded inquiries about the reported suspension.

"There are places where trading is taking place as normal," he said.

Another Japanese source who conducts frequent business with North Korea said he had been supplied with 10,000 dollars on request at a Pyongyang bank in late September.

Banks, however, are also reported to have suspended dollar remittances to overseas destinations as well as withdrawals from dollar deposits and transfers into North Korea.

Despite the continued freeze on dollar exchanges, the official rate for the North Korean won remains at 2.08 won to the dollar. One dollar on the black market rate, however, trades for 30-60 won.

One source in Pyongyang who requested anonymity said North Korea's shortage of hard currency is the cause of the problem.

The source said he expects the measure is only a short term one because of the country's long term need for foreign currency.

The source said the shortage might have been brought on by a sudden major overseas transaction.

North Korea announced in late 1991 it would set up a special economic zone near the Russo-Chinese border.

On October 5, it announced a package of new regulations aimed at opening the market to foreign investment, but the suspension of dollar trading threatens to affect business confidence and could damage North Korea's image overseas.

Friendship Delegation Departs for China

SK2810000592 Pyongyang KCNA in English 1516 GMT 27 Oct 92

[Text] Pyongyang October 27 (KCNA)—A delegation of the Korea-China Friendship Association led by Chon Yon-ok, vice-chairperson of the Committee for Cultural Relations with Foreign Countries and vice-chairperson of the C.C. [Central Committee], the Korea-China Friendship Association, left here today for a visit to China.

On the same day, a delegation of the Communist Party of India [CPI] headed by J. Chitharanjan, member of the Central Executive Committee of the National Council and secretary of the National Council of the CPI, arrived here.

Earlier, on Monday, a delegation of the Chinese Academy of Sciences led by its vice-president Li Zhensheng arrived here.

Kim Il-song Receives Visiting Delegations

Meets CIS Pro-Reunification Group

SK2710150292 Pyongyang KCNA in English 1102 GMT 27 Oct 92

[Text] Pyongyang October 27 (KCNA)—The great leader President Kim Il-song today received Kang Il, chairman of the Committee for the Promotion of Korea's Reunification in the Commonwealth of Independent States (ASOK), and his party, on a visit to the homeland.

Present on the occasion was Yun Ki-pok, chairman of the North side's headquarters of the National Alliance for the Country's Reunification.

President Kim Il-song had a cordial conversation overflowing with compatriotic feelings with chairman Kang Il and his party.

He arranged a luncheon for them.

Meets Iranian Radio, TV Delegation

SK2810120492 Pyongyang KCNA in English 1054 GMT 28 Oct 92

[Text] Pyongyang October 28 (KCNA)—The great leader President Kim Il-song today received an Iranian radio and TV delegation led by Mohammad Hashemi Rafsanjani, chairman of the Radio and TV Broadcasting Committee of Iran, on a visit to Korea.

Present there were chairman of the DPRK Radio and TV Broadcasting Committee Chong Ha-chol, Vice-Minister of Foreign Affairs Cho Kyu-il and Iranian Ambassador to Korea Hasan Taherian.

President Kim Il-song had a conversation with the guests in a warm and friendly atmosphere.

He was presented with a gift by the guests.

Meets Australian Socialist Official

SK2610112892 Pyongyang KCNA in English 1016 GMT 26 Oct 92

[Text] Pyongyang October 26 (KCNA)—The great leader President Kim Il-song today received Jack McPhillips, former president of the Central Committee of the Socialist Party of Australia, on a visit to Korea.

Present there were Kye Ung-tae, member of the Political Bureau and secretary of the Central Committee of the Workers' Party of Korea, and Chi Chae-yong, vice-director of a department of the WPK Central Committee.

President Kim Il-song had a cordial and friendly conversation with the guest.

The guest presented a gift to him in the name of the Central Committee of the Socialist Party of Australia. He arranged a luncheon for the guest.

Receives Finnish Ambassador

SK2910114992 Pyongyang KCNA in English 1026 GMT 29 Oct 92

[Text] Pyongyang October 29 (KCNA)—The great leader President Kim Il-song today received Arto Mansala, Finnish Ambassador E.P. [extraordinary and plenipotentiary] to Korea, when he paid a farewell call on him.

Present there was Vice-premier and Foreign Minister Kim Yong-nam.

President Kim Il-song conversed with the ambassador.

Meets Families of 'Martyrs'

SK2810235392 Pyongyang KCNA in English 1526 GMT 28 Oct 92

[Text] Pyongyang October 28 (KCNA)—The great leader President Kim Il-song and the dear leader Comrade Kim Chong-il today met delegates of martyrs' families from all parts of the country and posed for a photograph with them.

The participants warmly welcomed President Kim Il-song, raising stormy cheers of "hurrah!"

Present on the occasion were O Chin-u, member of the Presidium of the Political Bureau of the WPK [Workers Party of Korea] Central Committee and minister of people's Armed Forces; Vice-President Pak Song-chol and premier of the Administration Council Yon Hyong-muk, member of the Political Bureau of the WPK Central Committee; and other senior party and government cadres.

President Kim Il-song and Comrade Kim Chong-il highly praised delegates of martyrs' families who, deeply conscious of their mission and duty as the core force of our revolution, are carrying forward the noble revolutionary spirit and indomitable fighting traits of the predecessors and devotedly struggling to strengthen the party and the revolutionary ranks and accelerate the socialist construction and the independent reunification of the country, and posed for a photograph with them.

South Korea

* Process of Establishing Ties With PRC Viewed

* Secret Negotiations Held

922C0246A Seoul HANGUK ILBO in Korean 22 Aug 92 P 5

[By reporter Yi Kye-song: "In Fear of North Korean Reaction, ROK-China Negotiated in Strict Secrecy"]

[Text] The reason ROK-PRC diplomatic normalization surfaced so quickly was that both sides were carrying on negotiations under tight security in order to avoid obstacles in the diplomatic success by an unexpected unforeseen incident. It is said that secret discussions had been going on in Seoul and Beijing ever since the two countries acknowledged—in meetings between Korean Foreign Minister Yi Sang-ok and Chinese Foreign Minister Qian Qichen that took place during the Economic and Social Council of Asia and the Pacific (ESCAP) meeting in Beijing last April—that normalization of diplomatic relations was desirable, but great care was taken not to reveal to North Korea the status of the working level talks. For its part, China was particularly concerned that if the status of normalization progress were made known to North Korea, the North Koreans would have a strong reaction, so Beijing asked our government to guarantee secrecy. Persons concerned revealed that our government judged that an early normalization of diplomatic relations would be difficult if North Korea, through old personal ties with the Chinese revolutionary generation, should interfere, so it had no choice but to exercise caution in maintaining security. It is known that the normalization negotiation "window" for contacts in Beijing was Chinese Vice Foreign Minister Xiu Guoxin and No Chae-won, the head of the ROK mission in Beijing. In Seoul, officials of the Foreign Ministry's Asia Bureau secretly met with Xiu Dayou, the head of the Chinese mission in Seoul.

Concerning the fact that diplomatic normalization occurred earlier than expected, Foreign Ministry officials who were involved claim that "If you are talking about early normalization, then it should have been achieved some time last year. This schedule was not ahead of schedule, but a 'normal normalization' that was achieved normally."

They say that "The negotiation successes of the two countries accumulated steadily from last April and this was the result" and that it was the end of last July when normalization began to be apparent.

The reason the story broke first in Taiwan was that our government had notified the Taiwanese government in advance. The Taiwan government had been unnerved at the prospect of ROK-PRC relations, so our government pledged that it would notify them in advance should there be any special change in Korean-Chinese relations. In accordance with this promise, Foreign Minister Yi Sang-ok recently summoned to the foreign ministry Chin Shu Chi, the Taiwan ambassador to the ROK, and informed him of the ROK-PRC normalization agreement and requested that he maintain security until the time of the formal announcement.

It has been learned that the Taiwan government refrained from having the foreign ministry make a formal announcement, in accordance with our government's request to maintain security. Instead, Foreign Minister Chien Hsia met with members of the Taiwanese legislative yuan and explained the facts to them, and the legislators in turn informed the press.

Our government regretted that the fact of ROK-Chinese diplomatic normalization was leaked to the press, but judges that the minimum diplomatic etiquette was observed.

On the other hand, our government informed in advance, in addition to Taiwan, its major allies, the United States and Japan, of ROK-Chinese intentions to establish diplomatic relations. The U.S. and Japanese governments were able to give confirmation to their own media because of the advance notification.

The fact of the ROK-Chinese normalization agreement was first confirmed in our country not by the Foreign Ministry—the competent ministry—but rather by political circles. After the ROK-PRC diplomatic normalization agreement was reported from Taipei on the night of August 19, foreign ministry officials refused to confirm it.

According to one diplomatic source in Seoul, after the ROK-PRC normalization agreement was made a fait accompli by the press reports, Chongwadae suggested that a briefing on the status of ROK-PRC diplomatic normalization be given in advance to the Democratic Liberal Party leadership and the former president.

Foreign Ministry officials adamantly denied as "completely without foundation" the press report from Taipei that as a condition of Korean-Chinese normalization, our government would provide 2 billion dollars in economic assistance loans to China.

One diplomatic source pointed out that this press report had come from Taipei and "had a purpose."

A senior official said that in the course of diplomatic normalization negotiations with China there was never any discussion of furnishing economic assistance loans. He explained that China, unlike the old Soviet Union, has abundant foreign currency and was not in such bad straits that it expected loans in return for diplomatic normalization.

A person concerned in the Taiwanese embassy in Korea reserved comment with respect to speculation that Taiwan would first sever relations between the ROK and Taiwan, saying, "The Taiwan government has not made a decision."

He also denied some reports that Taiwan Ambassador to Korea, Chin Shu Chi, had suddenly returned to Taiwan on August 20. "Ambassador Chin continues to remain in Seoul," he said.

Concerning the view of some that the government had unreasonably hastened ROK-Chinese diplomatic relations in order to use it to its benefit in the domestic political situation, a senior foreign ministry official refuted this, saying that this was a misunderstanding arising from the fact that people had been unaware of the progress that had been made in Korea-China relations.

This official explained: "Korea-China diplomatic normalization has been carefully pushed for the past four years and now the time has come for it to bear fruit. The situation around the Korean peninsula is changing rapidly and it is doubtful that it would be any help to the national interest to delay diplomatic relations by putting off the normalization of diplomatic relations between the two countries until after the establishment of the new government."

Because the first country to propose establishment of diplomatic relations would have to make a lot of concessions, the two countries had been carefully studying each other's attitude, but there is still concern over which side was the first to take the initiative. In this regard, a person concerned in the foreign ministry reports that the Chinese side was more active in wanting an early establishment of diplomatic relations and that this was because China felt a threat from Taiwan's flexible diplomacy, which has recently been using dollars as a weapon.

Chronology of Korean-Chinese Relations

May 5, 1983: Hijacked Chinese civil airliner lands in Chunju and a Chinese delegation visits Korea, the first contact between the government officials of the two countries.

December 24, 1987: President No Tae-u mentions desire for establishment of diplomatic relations.

September 17, 1988: China participates in the Seoul Olympics.

October 21, 1988: Korea and China lift tourism ban.

May 4, 1989: Finance Minister Yi Ki-song participates in meeting of Asian Development Bank General Assembly in Beijing, the first visit to China by a Korean cabinet member.

October 20, 1990, First contact between Korean and Chinese foreign ministers in New York.

January 20, 1991: KOTRA sets up trade office in Beijing.

April 2, 1991: Chinese Vice Foreign Minister Liu Huaqiu while attending ESCAP general assembly in Seoul, has talks with Foreign Minister Yi Sang-ok.

June 10, 1991: Chinese International Chamber of Commerce sets up office in Seoul.

October 1991: First meetings between Korean and Chinese foreign ministers in the UN.

November 1991: Chinese Foreign Minister Qian Qichen, while attending APEC ministers' meeting in Seoul, attends second Korea-China Foreign Ministers Conference and pays courtesy call at Chongwadae.

February 1, 1992: Korea-China trade agreement goes into effect.

April 1992: Foreign Minister Yi Sang-ok, while attending ESCAP general assembly meeting in Beijing, takes part in third Korea-China Foreign Ministers' Conference.

May 1992: Korea-China trade guarantee agreement signed.

* Rationale Explained

922C0246B Seoul CHOSON ILBO in Korean 24 Aug 92 p 5

[Article by Chinese politics professor Pak Tu-pok, Institute for Diplomacy and Security Studies: "Background of China's Early Establishment of Relations"]

[Text] With the signing of a memorandum of establishment of diplomatic relations by the foreign ministers of Korea and China on August 24 in Beijing, relations between China and Korea became normalized.

Looking at the decision-making process of the establishment of Korean-Chinese relations, what grabs our attention first of all is the question of what are the reasons for the sudden turnaround to an early establishment of relations. Up to now China has been regarded as the main stumbling block that has been making it difficult to establish diplomatic relations. Therefore, it is more realistic to regard the time-frame for establishment of relations as having been decided by the Chinese side's situation rather than the Korean side's.

We can think of several important reasons why China suddenly veered from its existing cautious policy and judged that this juncture was the appropriate time to establish relations.

The first important factor can be found can be found in China's internal political changes. Chinese society had greatly contracted to a politics-first tendency after the June 4 Tiananmen incident. But, with Deng Xiaoping's Shenzhen speech last year as an impetus, the atmosphere took on a more active reformist character. In particular, since the reformist forces are strengthening the socialist market economy, we can see that China is pursuing a more forward-looking policy than even during the Zhao Ziyang regime, which gave priority to economic rationalism over everything else. We can see that the consolidation of the position of the reformist forces and the resurfacing of rationalism in China further accelerated China's post-ideological policy toward the Korean peninsula. Accordingly, China crafted the inevitable policy of upgrading relations with the ROK in order to maximize economic advantage rather than maintaining ideological solidarity with North Korea.

Next, when viewed from the viewpoint of the special relationship between China and North Korea, we must see that the establishment of relations between Korea and China was not so much a matter of a unilateral Chinese decision which completely spurned North Korea's wishes as it was a decision reached in close collaboration by a common recognition concerning the implementation of reforms and the situation on the Korean peninsula—especially North-South cross recognition. First of all, even though North Korea realized both its moves toward normalization of relations with the United States and Japan and China's establishment of diplomatic relations with the ROK as "a reality," it has demanded a "balanced diplomacy" in which the speed and direction of China's establishment of relations with the ROK would move in step with the development of relations between North Korea and the U.S. and Japan.

China, of course, has pursued a roundabout and negative policy of achieving normalization with the ROK by urging the development of relations between North Korea and the U.S. and Japan, rather than a positive and forward-looking policy of pursuing the development of relations between North Korea and the U.S. and Japan by Chinese establishment of relations with the ROK. As the stalemate between North Korea and Japan and the U.S. was destined to be drawn out, there was little hope that China's roundabout strategy would be effective, however. It is not inconceivable that China and North Korea agreed to the ROK-China early diplomatic relations as a positive, frontal-attack policy in order to stimulate a U.S. policy change toward North Korea.

Recently the trend of development of relations between the two Chinas has been characterized by a dual structure of progress in positive cooperative relations and a deepening of tensions. Here we can find an important reason for the change in Chinese policy toward ROK-Chinese diplomatic relations. Now even though relations between China and Taiwan have achieved rapid development in the non-political realm of economic and personnel interchange, deep tensions have remained in the political-diplomatic-military fields.

In particular, while Taiwan has stuck to a "one China" policy, it has used its powerful economy to actively pursue a pragmatic diplomacy based on "dual recognition" and is trying to readjust the gap between the concept of sovereignty and actual rule. Recently Taiwan's practical diplomacy has been achieving results worthy of close attention. Because Taiwan's successful substantive diplomacy appeared as a severe challenge to China's foreign policy, which was grounded on the concept of "one China," it was inevitable that China would make an effective response.

In this connection, the ROK was the most important state with which Taiwan had diplomatic relations, and from China's standpoint the most effective way to throw a spanner into Taiwan's substantive diplomacy would be to force a severing of relations between Korea and Taiwan by establishing diplomatic relations with Korea.

Now, when we look at the direction of development of the situation unfolding on the Korean peninsula, we can see that several factors contributed substantially to China's decision for early establishment of diplomatic relations: China's perception that the maneuvering room for policy options with regard to Korean-Chinese diplomatic relations would become more favorable for Korea as time passed; the cautious attitude toward Korean-Chinese diplomatic relations that had come to the fore in Korean society; and the surfacing of the Taiwan issue.

Next, what draws our attention is the shock that Korea-China diplomatic relations and the severing of relations between Korea and Taiwan had on Taiwan and the subsequent reaction. Here, we can see that factors minimizing the shock and the reaction and factors further intensifying them were at work simultaneously. First of all, a buffering effect minimizing the shock and the reaction is manifest in the maturity of Taiwan society resulting from economic and social development, and the new trend toward rationalistic and realistic orientations in Taiwan's policy decision-making process.

In particular, when we see that in the process of expanding the governing structure of the KMT, anticommunism and the conservative forces that had stressed common destiny with Korea have receded and the rationalistic technocrats have gained ground, the shock and reaction of the Korea-Taiwan break in relations may appear in a greatly alleviated form in Taiwan after the fact.

In terms of timing, because the severing of Korea-Taiwan relations was not compatible with the development of Taiwan's internal-external reforms, the shock to Taiwan appears to have been severe, however. First of all, as we said above, because the severing of diplomatic relations between Korea and Taiwan came at a time when the visible effects of Taiwan's substantive diplomacy were picking up steam, the shock to Taiwan had to be great. In terms of Taiwan's domestic political situation in particular—where constitutional reforms are underway—the shock of the breaking off of Korea-Taiwan relations is intensified because it is directly related to Taiwan's internal problems. That is, the severing of Korea-Taiwan relations in the wake of Korea-China diplomatic relations placed Taiwan's KMT in a difficult position and there is a great possibility that it will further stimulate separatism in Taiwan.

This shock and reaction may be seen as not a fundamental, but a temporary, phenomenon, however. The maturity of Taiwanese society, which is moving toward a high level of economic and social development, and the realistic orientation of rational mechanisms and policy-making processes are strong grounds for taking the optimistic view that Korea-Taiwan relations ultimately will take shape and that a sound substantive relationship will develop.

Ministry To Simplify Business Travel to PRC

SK2810061192 Seoul THE KOREA HERALD in English 28 Oct 92 p 2

[By staff reporter Kim Hye-won]

[Text] South Korean businessmen will soon be able to visit China easily, Foreign Minister Yi Sang-ok said yesterday.

He said interministerial consultations are under way on ways to simplify the procedures which businessmen must go through before visiting China.

Details will be made public soon after the consultations, the minister told a breakfast meeting of the Korean Regional Policy Research Institute.

Korean businessmen are still required to get permission from the government to visit China though Seoul opened diplomatic ties with Beijing Aug. 24.

Sightseeing tours of the giant Communist state are banned.

Minister Yi said China is expected to play an important role in resolving concerns about the North Korean nuclear program despite its official position that the issue should be settled through inter-Korean dialogue, free from outside pressures.

He said China played a "decisive role" in persuading North Korea to enter the United Nations separate from South Korea last year.

Yi reiterated that Chinese officials, during the normalization negotiations earlier, made it clear that the Korean War (1950-53) was an unfortunate and regrettable incident that should not be repeated. They told Koreans that Chinese victims also numbered 1.5 million at that time, he said.

The minister said it is desirable for the two countries to temporarily settle the issue of China's participation in the Korean War and other issues deriving from their unfortunate past in this way.

Separate research and studies, however, should be done to review what happened in the past from a greater and longer perspective, he said.

Yi indicated that South Korea and Taiwan may not be able to conclude negotiations on readjustment of bilateral relations until December because of the busy political schedules of the two countries. He said parliamentary elections are scheduled in Taiwan in December, while the presidential election is expected to take place in South Korea during the same month.

The minister said the Seoul government has been trying to establish new relations with Taiwan though Taiwan still remains "emotional" toward Korea in some ways.

Seoul and Taipei severed diplomatic relations Aug. 24 when Seoul switched its diplomatic recognition from Taipei to Beijing.

Taipei has cut all air and shipping links with Seoul.

South Korea has decided to allow Taiwan to set up a representative office in Seoul, which will issue visas.

Yi said the Seoul and Tokyo governments had planned to announce the planned visit to Japan by President No Tae-u after he meets with the Japanese foreign minister in Tokyo later this month to fix the schedule.

"I think there has been some misunderstanding about the visit because the plan was leaked to the news media before the announcement," he said.

Yi is to attend a conference on assistance to the former Soviet republics in Tokyo tomorrow.

President No plans to make a one-day working visit to Japan next month for talks with Japanese Prime Minister Kiichi Miyazawa.

Firms To Aid Commercializing Russian Arms Plants

SK2910131592 Seoul TONG-A ILBO in Korean 28 Oct 92 p 1

[Text] ROK businesses will earnestly participate in the project of commercializing Russian ultramodern military technology, including the development of missiles and multi-purpose fighters.

According to a high-ranking government official on 28 October, after holding government-level behind-the-scenes contacts, the ROK and Russian governments agreed to let the ROK businesses actively participate in the projects of commercializing Russian ultramodern military technology, and after selecting 21 technological fields, including the development of missiles and multi-purpose fighters, our government will begin negotiations with Russia on the selected technological fields on a case by case basis.

This official said: "The ROK and Russia agreed to allow ROK businesses to actively participate in projects of commercializing the military industry, which are now underway throughout Russia, and the two countries have discussed which fields the ROK businesses can participate in and how they will participate."

This official added: "The government expected that the fields in which ROK businesses will be allowed to participate will be limited to conventional military-industrial ones. However, our participation in the ultramodern military technology including aviation and computers was made possible thanks to the Russian side's positive will."

This official said: "The government delegation comprising working-level teams from the four government ministries and relevant research agencies, including the Ministry of Foreign Affairs and Ministry of Trade and Industry, will visit Moscow, St. Petersburg, and (Rula) from 4 to 13 November to seriously discuss the procedures and conditions for ROK business participation."

The 21 fields in which the government decided to participate prior to dispatching the delegation to Russia are classified into the following four sectors: aviation industry; marine and ground equipment; computer extremely ultrashort wave technology of wireless communication; and generally applicable technology. Specific technological fields of each sector and business firms which can possibly participate in these fields are specified as follows:

Aviation industry: Samsung Aviation and four other companies for the development of multipurpose fighters; Korean Airlines and three other companies for the development of commercial light planes; Hyundai Precision Industry Company and three other companies for instrumentation devices for testing planes; Gold Star Precision and six other companies for multipurpose simulated training facilities for crew; Samsung Aviation and four other companies for small-size engines for pilotless planes; Mando Machinery and three other companies for the transfer of technology measuring manufactured engines; Korean Airlines and seven other companies for synthesis technology including manufacturing of alloy A1-L1 for planes; and Daewoo Heavy Industry and three other companies for technology blending heterostructural materials by means of laser.

Marine and ground equipment: Gold Star Precision and three other companies for the development of marine and ground electronic warfare equipment; Daewoo Heavy Industry and four other companies for the development of ground to ship missiles and ship to ship missiles; Daewoo Communication and five other companies for underwater equipment; and Gold Star Precision and four other companies for complex facilities for simulated training.

Computer technology: Oriental Electronic Communication and five other companies for cipher equipment; Gold Star Precision and five other companies for relaying of wireless between regions; Daewoo Communication and five other companies for software for establishing communications networks; Hyundai Precision Industry Company and three other companies for control devices for technological processing; Gold Star Precision and five other companies for extremely ultrashort wave equipment; and Daewoo Electronics and seven other companies for marine radar.

Generally applicable technology: Korea Fiber and three other companies for the manufacturing of carbon plastic for satellite communications; Mando Machinery and three other companies for solid fuel for environmental complete combustion; and Daewoo Precision and three other companies for the manufacturing of solid fuel.

* Nakasone Interviewed on Japan-ROK Relations

932C0002A Seoul CHUNGANG ILBO in Korean 22 Sep 92 p 11

[Interview with former Japanese Prime Minister Yasuhiro Nakasone by CHUNGANG ILBO deputy chief editor Kim Tong-su as reported by CHUNGANG ILBO Tokyo correspondent Yi Sok-kyu]

[Text] **There have been global tendencies toward nationalism, local conflict, and regional blocs since the end of the cold war and the cessation of ideological struggle. The Asian region is also expected to experience the throes of radical change until a new order is established. Particularly, the question of whether the restructuring of the order in the Northeast Asian region can proceed unaffected by this global trend is a focus of attention now. In this connection, Kim Tong-su, deputy director of our editorial bureau, interviewed former Japanese Prime Minister Yasuhiro Nakasone, 74, on the occasion of the 27th funding anniversary of CHUNGANG ILBO. Nakasone has hitherto been the proponent of an Asian collective security arrangement.**

[Kim] Many political leaders have been active since their retirement. For instance, former U.S. President Carter, former German Chancellor Schmidt, and former Japanese Prime Minister Fukuda have been interested in global issues, such as human rights and environment, and have offered much advice and have made a great contribution to solving these issues since their retirement. Mr Nakasone, in what problems have you been interested these days? [Nakasone] With interest in the issue of world peace in general and problems concerning global security and the promotion of global economic cooperation in particular, I established the Institute of World Peace and have been engaged in research and supportive activities. I have been carrying out joint research with foreign institutes on the world changes. Last year I made recommendations to the U.S. president and the Japanese prime minister on the basis of the results of joint research carried out with the (Center for International Strategy) [CIS] of the United States. In addition, since last year I have been carrying out joint research with the (International Affairs Institute) of the United States on the new order that is shaping up in Europe and Asia since the end of the cold war. I am also carrying out joint research with the Adenauer Institute of Germany and the Johns Hopkins University research institute of the United States. Concerning Japan, I have been offering advice on Japan's foreign policy.

Balance of Power, Wealth Sought

[Kim] Speaking of world peace, the world is rather in a period of instability since the end of the cold war because of the sudden eruption of regional ethnic conflicts. This may be because a new world order has not been established yet. I wonder whether a new world order will be established in the near future. If so, what direction do you think this will take?

[Nakasone] It is a very difficult question. The world is very complex. It is enveloped in a dense fog with zero visibility. All countries in the world, including advanced countries, are in an unstable condition. This is a time of uncertainty, given the process of European integration, the ethnic conflict in Bosnia, and the coming U.S. presidential election. Nevertheless there is a common perception regarding the need for the establishment of a new world order, and public opinion is leaning toward the idea that a new order should be oriented toward achieving the balance of power and the balance of wealth. It remains a big question how the United States and Russia will deal with their nuclear weapons. A military vacuum exists as a result of the disintegration of the former Soviet Union. Under the circumstances, multinational trust and collaboration are needed. Given the diminishing strength of the United States and Russia, the need for regional mutual security arrangements is urgently felt. At present, there is a general tendency that countries in each region are trying to solve regional conflicts and other problems by pooling their efforts. For instance, the EC, the ASEAN, and the Arabs are trying to solve the Yugoslavian issue, the Cambodian question, and problems in the Gulf, respectively. On the economic plain, there is a tendency toward a tripolarization into Europe, the United States, and East Asia. All this is giving rise to a tendency toward a strengthening sense of regional solidarity.

On the other hand, there is a move afoot to bind Northeast Asia, Southeast Asia, and Oceania into one. The Asia-Pacific Economic Corporation Ministerial Conference (APEC), and the ASEAN Enlarged Foreign Ministerial Conference will serve as a basis for this move.

[Kim] In Asia there are many factors of instability, including the Korean peninsula. With the ebbing of U.S. and Russian influence, the United States is expected to reduce the scope of its intervention. Under the circumstances, attention is now focused on the question: which will fill the vacuum, Japan or China? Seeing the dispatch of the Japanese contingent for peace-keeping operation (PKO), the ROK in particular is apprehensive lest Japan should be trying to fill the vacuum with its military might.

[Nakasone] Strictly speaking, Japan has no intention of changing its military policy. Japan's basic defense policy is maintaining military forces exclusively for defense purposes and possessing no offensive weapons. The Japanese Self-Defense Forces [SDF] have no bombers or long-range missiles. Its defense expenditure is kept below 1 percent of the GNP and is showing a tendency to decrease. The use of SDF troops is limited to the defense of Japan. During the Gulf war, Japan contributed money, but sent no troops. So, Japan was treated as a merchant state which knows nothing but money like the Venetian merchants. In those days Japan did nothing but mine sweeping. Self-reflection on this prompted Japan to come up with some measure to pave the way for a personnel contribution, and the dispatch of a PKO contingent is its outcome. Japan's PKO does not involve the use of arms. The Japanese PKO law allows activities exclusive of the use of arms, within the purlieu of the UN Charter. There will be absolutely no dispatch of troops overseas for the use of arms, and this principle under the peace constitution will be observed without fail in the future. The defense of Japan is being maintained basically under the security treaty with the United States. As long as this treaty exists, there will be no Japanese arms expansion or troop dispatch to its neighboring countries. As is the case with the current PKO operation, Japan will make an international contribution through an international organization.

[Kim] If there had arisen the question of dispatching troops to Cambodia while you were in office, how would you have dealt with it?

[Nakasone] First of all, it is important to muster the understanding of various countries. This is directly linked to the question of trust. To muster international understanding, it is necessary to follow this order: first make efforts to promote international understanding and then go on to tackle domestic problems associated with it. It is important to promote understanding through international organizations.

[Kim] As regards international organizations you have just mentioned, do you think it necessary to have an organization like the European collective security consultative mechanism in Asia?

[Nakasone] I think it will be necessary in the future. In my opinion, a summit meeting will be needed some time or other to discuss all problems, political, economic, and security. It is important above all for the heads of state to meet each other often each year. They should discuss their problems or plans face to face to solve these problems.

Linkage to North Korean Nuclear Issue

[Kim] Earlier you said that you wanted to muster international understanding before dispatching SDF contingent. But trusting Japan is the problem. In Korea there is very little trust in Japan. I think this stems from the differences in the perception of history. They say that to our dismay, Japan has swept history away under the carpet. In your opinion, how can this situation be overcome?

[Nakasone] Basically, Japan should think it over from the standpoint of being an injurer. From a long-range point of view, education, particularly public education, must be stepped up to promote mutual understanding. It is important to teach facts as facts in school education. It is important to promote understanding through exchanges between the younger generation, namely, the next generation, of the two countries.

Next, it is important for the leaders of the two countries to refrain from making statements which may hamper the promotion of friendly relations between the two countries. They should act and say things which will be conducive rather than obstructive to such promotion.

[Kim] In connection with the perception of history, there has been a spate of issues which cropped up between two countries since the normalization of their relations. One of them is the issue concerning the Korean women drafted as comfort women for Japanese soldiers during World War II, which has emerged as a big issue. Currently, the relationship of the two countries is in a very awkward state because of this issue. Is there any solution to this issue?

[Nakasone] In my view, it is prudent for Japan, in particular, to think it over in its various aspects and find a solution as soon as possible.

[Kim] They say the ROK-Japan relationship is at its worst. While you were in office, the relationship between the leaders of the two countries was very intimate, making dialogues between them possible. There seems be no such channel any more....

[Nakasone] Exchanges between the two countries have increased through various channels, such as the Japan-ROK Parliamentarians Association. Japan and Korea have a 3,000 years of exchanges behind them. Korea is the origin of Japanese culture. Japan and Korea are in the same boat. On the basis of this perception, the leaders should marshal the cooperation of the public by persuading and leading the public with faith and enthusiasm. In this regard, I have the impression that the present leaders lack such enthusiasm. Both countries try to solve problems only in a bureaucratic and administrative way. We kept vigil for two nights 27 years ago to pass the bill on the ROK-Japan basic treaty through the Diet in the face of the opposition by the opposition parties. In those days the leaders of the two countries exchanged visits and sat up all night together discussing issues. The present leaders should discuss things with the perception that the two countries are in the same boat. What is most needed in our time is the enthusiasm to find a common ground.

[Kim] Recently, the situation in the Korean peninsula has undergone much change. The ROK government's Northern policy has entered the finishing stage with the establishment of diplomatic relations between the ROK and China. The remaining task is to realize the normalization of relations between the United States and North Korea and between North Korea and Japan. When this task is accomplished, the Northern policy will be formally completed as far as diplomacy is concerned. In connection with the issue of normalizing relations with North Korea, will Japan stick to its position of linking it to the solution of the nuclear issue?

[Nakasone] The ROK-China normalization will be a cornerstone for completing an international political, economic and security framework throughout Northeast Asia in the future. North Korea has experienced a great shock. It is expected to maintain a rigid posture for the time being in an effort to absorb the shock. It will take time to persuade the public at home and abroad. However, predictably, North Korea will get more and more serious with each passing day about normalizing relations with the United States and Japan. Japan will normalize its relations with North Korea under the following three principles:

First, the nuclear issue should be settled once and for all. The ROK is demanding mutual inspections. It is important to create a system free of factors of instability.

Second, Japan will seek normalization with North Korea while watching the progress in inter-Korean negotiations. Japan will push for normalization with North Korea by watching the attitude of North Korea in these negotiations. For one thing, it is important for North Korea to show its softening attitude over the issue of realizing a reunion of separated families and other issues.

Third, Japan will do nothing more for North Korea than what Japan has done for South Korea (in terms of compensation).

[Kim] You just said North Korea will become more and more serious with the passage of time. Are you optimistic that North Korea will accept all these three principles?

[Nakasone] Given the victory of ROK diplomacy, North Korea will be desperate for the normalization with the United States and Japan. That will be good for North Korea.

Cooperate In Reunification

[Kim] Because of the deep-seated distrust in Japan, whenever the reunification issue is brought up, many think that Japan does not want to see Korea reunified....

[Nakasone] As I said earlier, Japan wants to see stability in Northeast Asia through the reunification of Korea. Reunification should be achieved by the Koreans themselves through North-South dialogues, however. The neighboring countries—Japan, the United States, China, and Russia—will be in a position to assist from the side. As far as Japan is concerned, the reunification of Korea is desirable for the security of Northeast Asia in the long-run. Japan will spare no assistance in this regard.

[Kim] Since the establishment of diplomatic relations, Korea's trade deficit with Japan has ballooned to $66 billion. Does Japan has any intention to make a political consideration for correcting the trade imbalance, although this may seem an unreasonable approach which goes beyond the economic realm?

[Nakasone] Japan is pushing for free trade and openness. The trade imbalance between our two countries should be resolved on a long-term basis. Nothing can be done for the time being because this is a transitional period, however. The economic structure is also involved in the trade imbalance between the two countries. Japan's market-oriented economy is led by the private sector. For instance, Japanese private enterprises advanced into South Korea in tie-ups with Korean firms, and an increasing number of them are pulling out of South Korea because of rising wages and environmental problems. This is a problem that should be solved through negotiations between the private firms concerned. By the same token, the trade imbalance is a question on a private level. Needless to say, the Japanese Government should provide necessary inducement or guidance. But the issue must be settled on a private level in principle. In other words, enterprises concerned should complement each other and try to solve the problem of trade imbalance between them.

[Kim] The Japanese emperor is scheduled to visit China, but he has no plan to visit the ROK. In my opinion, the emperor's visit to the ROK, when it is made, will mark the genuine settlement of all World War II-related issues. Do you think he will visit Korea in the near future?

[Nakasone] From the time I was prime minister, I always maintained that the emperor should visit the ROK first. This year marks the 20th anniversary of the establishment of diplomatic relations between Japan and China, and Korea will be busy with the presidential election. As far I know, for this reason, the Japanese government sought the understanding of the ROK government; and with this understanding, he is going to visit China first. I hope his visit will come at an early date.

[Kim] Thank you for this long interview.

Vietnamese Red Cross Official Arrives

SK2410044792 Seoul YONHAP in English 0355 GMT 24 Oct 92

[Text] Seoul, Oct. 24 (YONHAP)—Nguyen Trong Nhan, president of the Vietnam Red Cross Society, arrived here Saturday for a weeklong visit at the invitation of his Korean counterpart Kang Yong-hun.

Nguyen, who is also health minister, will meet with Kang and An Pil-chun, minister of Health and Social Affairs Ministry, during his stay here.

He is to visit Southern port city of Pusan Wednesday to take part in the ceremony where Red Cross branch offices of Pusan, Korea, and Haiphong, Vietnam, will tie the sisterhood relationship.

South Korea and Vietnam have yet to establish diplomatic relations.

Says SRV Ready for ROK Aid

SK2710105492 Seoul YONHAP in English 0855 GMT 27 Oct 92

[Text] Seoul, Oct. 27 (OANA-YONHAP)—Vietnamese people have put behind the memory of Vietnam war and South Korea's participation in it and are ready for assistance and cooperation from Seoul, Nguyen Trong Nhan, head of the Vietnamese Red Cross, said Tuesday.

Although the two countries are yet to start talks on missing Korean soldiers and return of remains, South Korea should refer to the negotiation procedure between Vietnam and the United States , he said.

Nhan who headed the Red Cross society in Hanoi since 1987 arrived here Saturday for a week-long visit to discuss exchanges between Red Cross societies of the two countries.

People of Vietnam remember the war as an event of the past and are overcoming it, he said, suggesting that the two countries need not dig into the dark history.

"It is better for the two countries to look toward the future, and all Vietnamese citizens think this way," he said.

But Vietnam is suffering gravely from aftermaths of the war, Nhan said. His country is hit by floods, epidemics, poverty and natural disasters, and the economy does not show any sign of recovery, the official said.

"We are in dire need of assistance from Red Cross societies of other countries including South Korea," said Nhan.

On missing Koreans and return of soldiers' remains, he said the two countries have not yet discussed the issue.

"But Vietnam and the United States are making somewhat of progress after serious confrontations. I hope that South Korea would refer to such negotiation procedures," he said.

The Vietnamese Government does not discriminate against second generation Koreans in status or in property protection, he explained.

Kong No-myong Named New N-S Talks Spokesman

SK2910091192 Seoul YONHAP in English 0707 GMT 29 Oct 92

[Text] Seoul, Oct. 29 (YONHAP)—The government Thursday named Kong No-myong, chancellor of the Institute of Foreign Affairs and National Security, Southern-side spokesman for the inter-Korean high-level talks.

Kong replaces Yi Tong-pok, who has been dismissed as special adviser to the prime minister.

Prime Minister Hyon Sung-chong announced the replacement during parliametary interpellation.

Red Cross Head Proposes Resuming N-S Talks

SK2910034692 Seoul KBS-1 Radio Network in Korean 0300 GMT 29 Oct 92

[Text] Kang Yong-hun, president of the ROK Red Cross Society, sent a telephone message to Yi Song-ho, acting chairman of the DPRK Central Red Cross Society today, proposing that they resume the 11th round of North-South Red Cross talks within the next month in Pyongyang. Talks were suspended more than seven years ago.

President Kang Yong-hun said that he would like to resume talks because no measures have yet been taken to alleviate the sufferings of separated family members despite the passage of 20 years since the start of North-South Red Cross full-dress talks to resolve this issue.

North Spies' Contacts With Politicians Confirmed

SK2410012292 Seoul YONHAP in English 0039 GMT 24 Oct 92

[Text] Seoul, Oct. 24 (YONHAP)—Yi Hyon-u, director of the Agency for National Security Planning [NSP], has reportedly confirmed that a North Korean spy ring had contacted some South Korean politicians and people in the dissident camp to recruit them for their operation in the South.

Testifying Friday before a government inspection hearing of the National Defense Committee of the National Assembly, Yi said, however, he could not disclose details because his agency was still investigating the spy ring led by North Korean woman spymaster Yi Sun-sil, according to Rep. So Su-chong of the Democratic Liberal Party and Rep. Yim Pok-chin of the Democratic Party, who attended the session.

The agency plans to investigate and carefully handle the incident if it could obtain hard, material evidence against them, Yi was quoted as saying.

Asked whether Yi was prepared to declare the political neutrality of his agency, Yi said the agency, as a government organization directly operated by the president, will carry out President No's intention. In his Sept. 18 declaration, No said he and his administration will strictly maintain neutrality in the presidential election in December.

New Party Unable To Decide on Candidate

SK2810053192 Seoul YONHAP in English 0317 GMT 28 Oct 92

[Text] Seoul, Oct. 28 (YONHAP)—While Kim U-chung was waiting in the wings with a hat in hand, a recently formed political party appeared Wednesday to be unable to reach a consensus to nominate the chairman of the Daewoo business group as its presidential candidate in the year-end election.

With the time running out fast on them, a majority of organizers of the New Korea Party are said to be leaning toward Kim U-chung to let him carry the party standard in the December poll.

A consensus appeared to be forming in favor of Kim as late as Tuesday after the party had failed to persuade either former prime minister Kang Yong-hun or former chairman of the Democratic Liberal Party Pak Tae-chun to become their leader.

Sensing that he was now the only available candidate for the new party, Kim U-chung, 56, said he was not ruling out the possibility of running for president. He hinted that the party should come to him with a unanimous decision to nominate him,

Ironically, it is Rep. Yi Chong-chan, one of Kim's closest friends and high-school classmate, who is said to be holding out against Kim U-chung. Yi was reportedly opposing the party's nomination of the businessman unless Kim publicly and completely severs his relations with the Daewoo group which he had formed decades ago and brought it up to be one of the nation's largest conglomerates.

Talking to reporters Tuesday evening, Kim unequivocally said the party should not set any condition if it wants him to be its leader.

An erstwhile candidate for the nomination for president of the majority Democratic Liberal Party, Yi was supported by "a considerable number" of party organizers including such influential lawmakers as Pak Chol-on and Yu Su-ho, who had deserted the then ruling DLP to form the new party.

Yi Chong-chan has shown his dissatisfaction with the party's effort to recruit Kim U-chung by refusing to appear in the party office Wednesday morning while other party leaders huddled to hammer out a consensus to invite Kim.

Informed sources said Yi was upset by Kim's remark upon his return from his visit to Japan Tuesday evening that it was the prospective presidential candidate of the party who should set conditions and not the party which tried to induce him.

In any event, Chang Kyong-u, one of the leading organizers of the party, said the party hopes to reach some kind of agreement on the selection of its candidate by Thursday at the latest.

Kim U-chung, of course, is one of the possible candidates for us, Chang said.

Dissident Leader Enters Presidential Race

SK2910081892 Seoul YONHAP in English 0735 GMT 29 Oct 92

[Text] Taegu, Oct. 29 (YONHAP)—Noted dissident leader Paek Ki-wan, vowing to go all the way this time, announced Thursday that he is a candidate for president.

Paek, who quit the presidential race midway in 1987, told a press conference he had decided to run to "transform politics and break down the grand alliance of conservatives in a short time."

He also said he had put his name forward to muster the power of the masses.

"I aim to obtain more than 3 million votes in the election and will never step down halfway as I did in the last election," Paek said after attending a ceremony to launch a branch of the election campaign headquarters for the masses' presidential candidate.

Remnants of the Fifth and Sixth republics and "evil" laws, including the national security and labor laws, should be abrogated so that a genuine democratic government could be formed, he said.

The radical president of the Paekpom studies center said that all corruption, including usurption of the workers by business monopolies, should be done away with.

The Paekpom center is primarily devoted to studying the works and thoughts of Kim Ku, a liberation fighter assassinated in 1949.

Burma

Karen Rebels Reported Killed, Injured in Clash

BK2910020192 Bangkok BANGKOK POST in English 29 Oct 92 p 6

[Text] Tak—Two Karen rebels were killed and seven others wounded in fighting against Burmese government troops around border hills opposite Mae Ramat District yesterday, police said.

Some 300 Karen National Union rebels exchanged mortar fire with about 500 Burmese troops from the 66th Division's 75th, 76th and 81st battalions. However, there were no reports of casualties on the Burmese side.

At least ten 81mm mortar shells landed in Huay Pla Kong village in Mae Ramat District.

The Burmese troops captured areas opposite Mae Ramat District here and Sikaya hills some seven kilometres from the KNU's Mawpasu Camp.

From the hilltops, the Burmese set up 12 81mm and 120mm mortars and began bombarding the Karens, who responded with 60mm and 81mm mortar fire, the police said.

Burmese troops also captured a Karen black market and torched it while 10 Burmese porters fled the fighting from around Sikaya hills and slipped into Kanaychue village in Mae Ramat District.

On the Thai side of the Moei River, Border Patrol Police arrested the Burmese porters, two of whom had been convicts in Burma.

Administrative Units in Rangoon Division Reported

BK2810092992 Rangoon Radio Burma in Burmese 0630 GMT 28 Oct 92

[Text] It has been learned that Rangoon Division now comprises four districts—Eastern Rangoon District, Western Rangoon District, Southern Rangoon District and Northern Rangoon District.

Thingangyun, Yankin, South Okkalapa, North Okkalapa, Thaketa, Dawbon, Tamwe, Pazundaung, Botataung, South Dagon Myothit, North Dagon Myothit and Mingla Taungnyut Townships are included in the Eastern District.

Pabedan, Lanmadaw, Latha, Alone, Kemmendine, Sanchaung, Hlaing, Kamayut, Mayungon, Dagon, Bahan and Seikkan [Port] Townships are included in the Western District.

Syriam, Kyauktan, Thongwa, Kayan, Twante, Kawmu, Kungyangon, Dala, Seikkyi Kanaungto and Cocogyun Townships included in the Southern District.

Insein, Mingladon, Hmawbi, Hlegu, Taikkyi, Htandabin, Shwepyitha and Hlaing Thaya Townships are included in the Northern District.

It has also been learned that district offices of Eastern District, Western District, Southern District and Northern District will be stationed in Thungankyun Township, Kyauktada Township, Syriam Township, and Insein Township respectively.

Group Attends Bangladesh Meeting on Repatriation

BK2910033592 Rangoon Burma Television Network in English 1530 GMT 28 Oct 92

[Text] The tenth monthly meeting on repatriation of refugees, who had fled from the Myanmar [Burma]-Bangladesh border into Bangladesh, was held at 1130 Bangladesh time in the meeting hall of the High Commissioner's Office in Chittagong.

On the Myanmar side, a seven-member party led by Director General U Maung Aung of the Immigration and Manpower Department and on the Bangladesh side, an eight-member party led by Chittagong's High Commissioner Mr. Mohamed Omar Faruq, attended the meeting.

Members of both parties cordially and frankly discussed the repatriation of refugees who have fled to Bangladesh and the leader of the Bangladesh side handed over data concerning the number of those to be repatriated to the Myanmar delegation leader, U Maung Aung.

The 11th monthly meeting between the two countries will be held in Myanmar next month. The meeting concluded at 1315 Bangladesh time after presenting of gifts to the Bangladesh party from the Myanmar side.

On Sunday, the Myanmar delegation led by the director general, U Maung Aung, visited the privately owned Bangladesh National Eye Hospital in Chittagong and training school, the Dhaka Baghdad Carpet Factory, and the A.K. Khan Jute Mill where they were shown around by responsible officials.

The Myanmar delegation also visited the export processing zone in CHittagong, a shoe factory operated by foreign investors, a Singaporean-owned shoe factory, and a Japanese-owned iron chain producing factory. Later, the Myanmar delegation visited the Buddhist Monastery in Chittagong where they paid homage to Buddha images there.

The Myanmar delegation also studied the Buddhist scriptures and related books and donated cash to the monastery.

On Monday morning, the leaders of both sides signed the meeting minutes at the guest house in Chittagong.

The Myanmar delegation arrived back in Maungdaw, Rakhine State, in the afternoon.

Brunei, Malaysia & Singapore

Malaysia

U.S. Position in GATT Talks Criticized

BK2910090692 Kuala Lumpur NEW STRAITS TIMES in English 27 Oct 92 p 12

[Editorial: "Weeding Out Seeds Of Discord"]

[Text] What is remarkably consistent about the sluggish and unending talks in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) is the rhythmic way the talks surge up and down—like a yo-yo.

It is the economic powers of Europe and the mighty but overbearing United States who are holding the yo-yo strings and they have been stringing along the talks for six tortuous years while the rest of the world are hopeful bystanders, waiting for the day when global trade is liberated from the choking and unfair protectionist measures that close the doors to many markets.

"Carry on waiting"—this seems to be the message from the recent tension between the US and the European Community (EC) due to the latter's refusal to bow to the former's demand to reform the EC's oilseed subsidy regime. US Trade Representative Carla Hills is mad because the subsidies the EC gives its oilseed farmers caused US farmers to suffer a loss of up to US$1 billion in oilseed exports.

As always, it is a typical US reaction to behave like a spoilt brat and throw tantrums when it does not get its way. That explains the threat by US to impose hefty retaliatory tariffs on US$1 billion worth of EC agricultural goods. It is hard to envisage how negotiations can work under such threats.

If the US decides to go ahead with the threat, it shall be staging a trade war that will clearly set back whatever negligible progress on trade liberalisation has been achieved over the past six years.

Indeed, the danger is real as evidenced from the many occasions that the talks have stood precariously on the verge of collapse. It is hoped that common sense will prevail and concrete efforts are made by the bickering parties to reach a reconciliatory position and get the talks going again.

The lesson from the oilseed row and other disputes on agricultural trade which have caused the GATT impasse, is that the big, brothers from the West are more interested in protecting their own interests than reaching a breakthrough in the talks.

What is revealing from the oilseed issue is the fact that US domestic pressures—to stand up for its local industry in the face of alleged "unfair" foreign competition—can defeat or ignore common sense and a professed commitment to global free trade when the government is weak and the economy anaemic. This shows that trade will only be liberalised if the Western nations stand to gain substantial advantages.

History has proven that it is usually the forces of the mighty few that eventually triumph unless small nations gather and work on implementing their own free trade area. The truth is that President George Bush's "new world order", happily proclaimed after the collapse of communism, is nothing but an order for the rest of the world to fall in line according to American wishes.

That is why it has become imperative that ASEAN get the ASEAN Free Trade Area (AFTA) off the ground. If the liberalisation talks collapse, the export-oriented economies of the Southeast-Asia are bound to suffer. ASEAN nations must realise the fact that despite admirable growth, each member country has yet to reach a point where it can sustain its own rapid rate of economic growth.

Increased intra-regional trade will counteract the impact of a global economic slowdown. Clearly, this presents a strong case to make AFTA and EAEC [East Asia Economic Caucus] a reality.

Developed Nations' Aid Sought in Managing Strait

BK2910093492 Kuala Lumpur BERNAMA in English 0837 GMT 29 Oct 92

[Text] Kuala Lumpur, Oct 29 (BERNAMA)—Malaysia will seek the support of developed countries on its proposal for the establishment of a mechanism to manage the Straits of Melacca, Foreign Minister Datuk Abdullah Ahmad Badawi said today.

Abdullah said he would table the proposal at the 10th ASEAN-European Community ministerial-level meeting in Manila tomorrow.

The proposed mechanism would ensure that the waterway was free from piracy and provide for effective rescue and rehabilitation work in the event of accidents, he told reporters here before leaving for Manila.

Abdullah expressed confidence that the proposal would get the support of developed countries because they also used the straits to carry out trade.

"Malaysia is very concerned about this matter, and so are the other littoral states following a spate of mishaps in the straits," he said.

Abdullah said Malaysia was planning to hold an international conference on the straits.

The conference, which will be the first of its kind, might be organised by the Science, Technology and Environment, and Transport Ministries, he said.

Government Tones Down Criticism on Sabah State

BK2910042092 Singapore THE STRAITS TIMES in English 27 Oct 92 p 19

[Text] Kota Kinabalu—Senior government leaders from Kuala Lumpur have toned down criticisms of the opposition-led Sabah government and its leaders following growing resentment here over constant attacks by peninsula leaders against them.

Top UMNO [United Malays National Organization] leaders attending Sabah Umno's inaugural party convention at the weekend refrained from strong attacks against the Parti Bersatu Sabah (PBS) government of Chief Minister Datuk Joseph Pairin Kitingan.

Deputy Prime Minister Ghafar Baba, who also heads Sabah Umno, even invited the PBS to attend a forum to discuss the 20-point agreement on the formation of Malaysia.

Federal leaders are seeking a review of the agreement to remove special rights over immigration accorded to Sabah and Sarawak. The PBS has attacked the federal government for what it sees as erosion of Sabah's rights under the agreement.

Umno leaders from the peninsula, in particular some state Mentris Besar [Chief Ministers], who visit Sabah regularly, have attacked the PBS and the Sabah government, arousing sympathy for the party and its leaders.

"It does not help us when they come and 'wallop' these people and go back. Even some of our own members feel that is not the way as the PBS capitalises on the attacks and gets sympathy from the people, " said one Sabahan Umno member.

The attacks have made some peninsula Umno leaders such as Selangor Mentri Besar Tan Sri Muhammad Taib Muhammad, secretary-general Datuk Mohamed Rahmat and Youth leader Datuk Seri Najib Tun Razak unpopular especially in non-Umno circles.

Mr Ghafar criticised the PBS for not raising the 2 point issue when the party was in the ruling National Front coalition.

He accused the party of trying to work up sentiments now that it had left the Front.

However, he did not single out any PBS leader.

In separate interviews, two Umno vice-presidents—Foreign Minister Datuk Abdullah Badawi and Agriculture Minister Datuk Seri Sanusi Junid—tactfully avoided direct attacks on the PBS.

Both acknowledged that federal-state relations had deteriorated since the PBS pulled out of the Front on the eve of the general election in 1990. However, they did not single out personalities.

Datuk Abdullah said: "As far as the federal government is concerned, the present Sabah government is not in tune with us."

He said Sabahans had a democratic right to elect any party they wanted but that it was unfortunate that the PBS had pulled out of the Front.

"The advantage of having both the federal and state parties within the same coalition is that we can work together more closely," he said.

Datuk Sanusi said: "The people of Sabah have to understand that it is difficult for the federal leaders to trust the PBS because they deserted us in mid-battle in 1990. They left us, we did not leave them."

Both Datuk Abdullah and Datuk Sanusi, who delivered papers at the Umno convention, also softened their criticisms of the PBS leadership.

Singapore

Indonesia's Alatas on Need for Regional Security Talks

BK2910043692 Kuala Lumpur BERNAMA in English 0353 GMT 29 Oct 92

[Text] Singapore, Oct 29 (OANA/BERNAMA)—Indonesian Foreign Minister Ali Alatas has called for closer, more structured mutual consultations on security issues in the region.

He said although risks of a major power conflict in the Asia-Pacific region were at their lowest ever, the region was not entirely peaceful and free of tensions.

Speaking at the National University of Singapore society lecture at the Kallang theatre last night, he called on Asia-Pacific countries to device mechanisms for closer consultations on regional security issues.

He suggested confidence-building measures like reducing the frequency and size of their military exercises and inviting representatives from non-participating countries as observers.

There must also be more transparency in military arrangements through regular exchange of information among the major powers on their military budgets, doctrines and future projections, he said.

He added it was obvious that in the light of the possible shifts in the security equation in the region, the major powers as well as the regional countries would have to make adjustments in their policies.

He outlined several steps to lay the foundation for more peaceful and stable relations and a new security equilibrium in the region which included the speedy and total resolution of conflicts in Cambodia and the Korean peninsula and prevention of conflicts in the South China Sea.

Alatas also said that countries in the region should foster better ties with the major powers, cut the scope of military confrontations and build a new strategic equilibrium among the major powers.

Nuclear and chemical weapons proliferation should be prevented, the arms race in the region discouraged and security of sea lanes ensured, he added.

He said there should also be mechanisms for continuous dialogues and consultations to anticipate and resolve problems before they reach crisis level.

In this respect, ASEAN countries had already begun reviving their internal dialogues on regional security issues, he added.

Under the new global and regional security environment, he said the concept of the zone of peace, freedom and neutrality (ZOPFAN) remained valid.

ZOPFAN is a flexible blueprint open to further refinement and adjustments and the concept had not been realised fully because of the Cambodian conflict, he added.

He noted, however, that some of its elements had been incorporated into the ASEAN Treaty of Amity and Co-operation, which is subscribed to by non-member states like Papua New Guinea, Vietnam and Laos.

Cambodia

New 'Clarification' on Paris Accord Execution

BK2910050392 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 28 Oct 92

["Daily clarification": "Entering Into the Second Year of the Paris Accord's Implementation"]

[Text] One year after the existence of the Paris 23 October 1991 accord, what has UNTAC [UN Transitional Authority in Cambodia] implemented and what hasn't it executed according to the accord?

I. The Paris accord's implementation has already entered the second year. In the first year of the Paris accord application, what did UNTAC implement and what didn't it execute?

In the past year, UNTAC did not implement the Paris 23 October 1991 accord. As a matter of fact:

1. UNTAC did not verify the withdrawal of all categories of Vietnamese aggressor forces from Cambodia, but instead it repeatedly said that there was no presence of Vietnamese;

2. UNTAC did not allow the Supreme National Council [SNC] to have the role, rights, and authority as the sole legitimate organization and source of power in Cambodia;

3. Through this, UNTAC did not proceed to create neutral political conditions in Cambodia; and

4. Also through this, it did not enter the second phase of the cease-fire, and so on.

II. What did the UNTAC head implement contrary to the Paris 23 October accord? The UNTAC head indiscriminately and rudely executed the implementation contrary to the Paris 23 October 1991 accord as follows:

1. He codified an election law allowing the Vietnamese to vote. Blatantly, this is tantamount to recognizing Vietnam's aggression in Cambodia and colluding with the Vietnamese so as to allow Vietnam to have its deputies and puppet deputies in the Cambodian parliament. This is aimed at transforming the parliament into a Vietnamese assembly and Cambodia's legislation into Vietnam's law, thereby turning a Cambodian Government into a Government of Vietnam.

2. He formulated a penal code to punish those who use the word Vietnamese or carry out activities against the Vietnamese in Cambodia.

3. He forged a law and prepared a draft to demand foreign assistance, under the appearance of this or that humanitarian aid or this or that construction aid, for use by the Vietnamese puppets and Vietnam to futher invade and occupy Cambodia. Assistance was sought from the Asian Development Bank and other banks and so on.

4. Indiscriminately, he, personally or indirectly in connivance with the Vietnamese and puppets, allowed the Vietnamese nationals who are the instruments of the Vietnamese aggressors to flow into Cambodia at will in accordance with the strategy of swallowing Cambodia called a strategy of the Vietnamization of Cambodia. The UNTAC head did not take any action despite the opposition of the Cambodian people and the Cambodian national resistance forces.

5. The UNTAC head turned a blind eye to the Vietnamese and puppets' issuing identity cards granting Cambodian citizenship to the Vietnamese. This is to enable the Vietnamese to have the rights to live, to vote, and to do everything in Cambodia—those Vietnamese have even acquired more rights than the Cambodian people themselves because they are the tools of the Vietnamese aggressors and have also received moral, legal, and concrete support from UNTAC.

These are the actions UNTAC leaders have committed against the Cambodian nation and people, allowing Vietnam to swallow Cambodia according to a modified accord that they and alliances within and outside UNTAC have mapped out for the purpose of putting the Cambodian nation to death, then eradicating the Cambodian race in the same way as the French colonialists did by handing over Kampuchea Kraom to Vietnam in the previous generation.

III. Reminder and reaffirmation of the essential provisions of the Paris 23 October 1991 accord.

The Paris accord specifies the following essential provisions:

1. The withdrawal from Cambodia and the nonreturn of all categories of foreign forces, meaning the Vietnamese aggressor forces, must be verified.

2. Demobilization of the four Cambodian parties' armies by 70 percent, which according to the accord must be verified.

3. The SNC has to be endowed with rights and authority in Cambodia as the unique legitimate organization and source of power in the country throughout the transition; no other regime should exist.

4. UNTAC is an organization stationed in Cambodia for assuming the control and supervision and correctly implementing the Paris accord according to the accord's real essence.

5. All kinds of conditions should be created so that a neutral political environment can be established in Cambodia.

6. Free, democratic, correct, and fair general elections have to be organized so as to allow the Cambodian people to exert their sacred rights to self-determination to elect a new national assembly and set up a new national government in Cambodia.

IV. The second year of the Paris accord's implementation has already begun. The Cambodian nation, the Cambodian people, and the Cambodian national resistance forces as well as the independence-and-peace loving countries and people the world over continue to demand that the Paris accord be implemented correctly. Especially:

1. The withdrawal from Cambodia and the nonreturn of all categories of the Vietnamese aggressor forces must be verified.

2. The SNC has to be allowed to play its role as the sole legitimate organization and source of power in Cambodia.

3. The four Cambodian parties' armies must be demobilized by 70 percent according to the accord.

4. A neutral political climate has to be created in Cambodia.

5. Free, correct, and fair elections have to be organized in a situation where the Paris accord meticulously is executed.

6. Reorganizations should be envisioned to allow Cambodia to recover independence, peace, and sovereignty within its genuine territorial integrity and the Cambodian people to enjoy their rights to self-determination free from foreign interference or control.

V. This is the second year of the Paris accord's implementation. How will the UNTAC leaders and the alliances within and outside UNTAC continue to act? The Cambodian nation and people and the Cambodian national resistance forces as well as the independence-and-peace loving people and countries in the rest of the world have already seen those who have and those who have not implemented the Paris accord in the past year. During the second year of the implementation of the Paris accord, will the UNTAC leaders and the alliances implement the Paris 23 October 1991 accord correctly or will they execute the accord indiscriminately according to a modified accord aimed at preserving only one party, meaning the Vietnamese puppet regime in Cambodia?

VI. The past year's implementation of the Paris 23 October 1991 accord shows that so far, there are two opposing forces:

1. The Cambodian nation and people and the Cambodian national resistance forces as well as the world's independence-and-peace loving people and countries, which have strived to implement the Paris 23 October 1991 accord; and

2. The Vietnamese, puppets, UNTAC leaders, and the alliances within and outside UNTAC which are opposing the Paris accord by ignoring the verification of the presence of the Vietnamese aggressor forces, refusing to allow the SNC to have the role and authority as the sole legitimate organization and source of power in Cambodia, and executing the modified accord so as to keep only one party, meaning the Vietnamese puppet regime whose master is the Vietnamese aggressors. The latter administer all the affairs in Cambodia, depriving Cambodia of peace, independence, and sovereignty and denying the Cambodian people their rights to self-determination.

The two forces have already fought each other one year. Now it is the second year of the Paris accord's execution. Will the Paris accord—the result of the struggle carried out by the Cambodian people and the people of the world for 14 years and the outcome of negotiations conducted by the major powers and various countries in the world for several months and years, which the United Nations has adopted as its law for implementation in Cambodia with a view to allowing the country to regain independence, peace, and sovereignty and the people to enjoy their rights to self-determination—become null and void or will it be enhanced so as to force bad elements to apply? One asks whether Lord Buddha or the Devil will win? According to the biography of Lord Buddha, the Devil obviously tried to defeat the Buddha, but in the end it was defeated and swallowed by the earth.

More Reports on Alleged Khmer Rouge Violations

14-18 Oct Attacks, Dispatches

BK2710111592 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1200 GMT 26 Oct 92

[Text] According to the Defense Ministry's Committee for Coordinating Military Affairs with the United Nations, the Khmer Rouge have continued to violate the cease-fire.

In Kompong Cham Province, on 17 October, the Khmer Rouge soldiers from division 417 attacked a position of the State of Cambodia's Cambodian People's Armed Forces [CPAF] at Khtuoy in O Mlu Commune of Stoeng Trang District, wounding a CPAF soldier and burning a house down. On 15 October, Khmer Rouge soldiers from Division 18 dispatched two truckloads of assorted ammunition for concealment at coordinates 12/24 and at (Sya Boeng Veng)—four km from the UNTAC [UN Transitional Authority in Cambodia] forces position at Prek village—in Srei Santhor District of the same province.

At 0800 on the morning of 16 October, Khmer Rouge forces from division 785 fired several rounds from DK-82 guns and AK rifles on the CPAF position at (Boeng Sotie) in Kang Meas District of Kompong Cham Province. The source has not yet confirmed the casualties and damages.

At 1600 on the afternoon of 18 October, the Khmer Rouge fired three H-107 rockets into Stoeng Trang District seat in Kompong Cham Province, wounding seven inhabitants, two of them seriously.

On the same day, Khmer Rouge soldiers from 417th Division's 73d Regiment fired three B-40 rockets into Prey Chhor District seat in the same province, wounding three inhabitants and damaging a school.

In Battambang Province, on 17 October, about 20 to 30 Khmer Rouge soldiers with the support of 100-mm and 82-mm mortars and DK-82 guns launched an infantry attack on a CPAF's 2d Company position at Koas Krala. The source has not confirmed the casualties and damages yet.

In Kampot Province, on 14 October, about 30 Khmer Rouge soldiers moving from Phnum Voa attacked the Kbal Thnal Commune [words indistinct] in Kompong Trach District. They abducted four commune militiamen and a policeman.

Kampot Province Truce Violations

BK2910065892 Phnom Penh SPK in French 0406 GMT 29 Oct 92

[Text] Phnom Penh 29 Oct (SPK)—According to the Commission for the Coordination of Military Affairs with UNTAC [UN Transitional Authority in Cambodia] in Kampot Province, during the third week of the month, Khmer Rouge elements from Divisions 404 and 405 shipped arms and ammunition from Kaoh Sla to an area in the district of Kampot in preparation for attacks on the communes of Thmei, Prey Khlum, Stoeng Kev, Kandal, and Prey Thnal.

On 14 October, Khmer Rouge troops kidnapped four demobilized government combatants and a policeman at Daeum Cha Village, Kompong Trach Commune, Kompong Trach District.

According to the same source, since the implementation of the Paris accord, the Khmer Rouge have conducted 99 military operations against the regions controlled by the State of Cambodia and killed 35 government soldiers and wounded 25 others. These figures exclude 18 civilians who have been killed and 32 others who have been wounded. They have also taken away 64 people, 14 of whom are government troops and carried out plundering activities.

Sihanouk Receives Japanese Defense Delegation

BK2910092592 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 0430 GMT 29 Oct 92

[Text] His Royal Highness [HRH] Prince Norodom Sihanouk, Cambodia's head of state, father of the nation, and chairman of the Supreme National Council, granted an audience at Khemarin Palace on 27 October to the delegation of the Japanese Defense Agency led by His Excellency [H.E.] Miyashita Sohei, director general of the Japanese Defense Agency.

HRH Prince Norodom Sihanouk expressed his great joy and warm welcome to the Japanese Defense Agency delegation, saying that its current visit to Cambodia was very important to [words indistinct] and relations and cooperation between two countries, Cambodia and Japan.

HRH Prince Norodom Sihanouk expressed profound thanks to the Japanese Government and nation which have actively joined hands with the international community in contribution to seeking a peaceful solution for Cambodia. Moreover, Japan has given assistance in the form of materiel and humanitarian aid to the Cambodian people.

HRH Prince Norodom Sihanouk explained [words indistinct] peace in Cambodia which is gradually moving toward free and correct elections in line with a genuine democratic system.

HRH Prince Norodom Sihanouk stressed that currently Cambodia is in urgent need of all-around restoration and reconstruction.

H.E. Miyashita Sohei expressed his joy over the big achievements in the search for peace as well as in restoring and rebuilding Cambodia under the wise leadership of HRH Prince Norodom Sihanouk. He extended best wishes to the prince on his 70th birthday for him to enjoy good health and a long life and to continue leading Cambodia toward genuine peace and national reconciliation.

Japan, Thailand Fail To Convince KR To Rejoin

BK2910112092 Hong Kong AFP in English 1116 GMT 29 Oct 92

[Text] Phnom Penh, Oct 29 (AFP)—Japan and Thailand have failed to convince the Khmer Rouge [KR] to rejoin the Cambodian peace process, diplomats said Thursday.

"It ended without a conclusive conclusion," Thailand's deputy permanent secretary for foreign affairs, Sarot Chawanawirat, said after two hours of talks here with Khmer Rouge leader Khieu Samphan.

"As far as Thailand and Japan are concerned, the tripartite meetings are now over."

The U.N. Security Council had given Japan and Thailand until the end of the month to coax the Khmer Rouge guerrilla faction back into the peace process.

Though Sarot stopped short of saying outright that the initiative had failed, diplomatic sources said Khieu Samphan refused during the meeting to respond to new proposals set forward by Japan and Thailand last week.

Instead, Khieu Samphan gave a lengthy, general discourse elaborating the Khmer Rouge position that the Supreme National Council—which groups the four Cambodian factions—should be given strong administrative powers so that the U.N. peacekeepers can ensure that all Vietnamese troops had left Cambodia.

Indonesia

Paper Views Impact of NAFTA on Economy

BK2910110192 Jakarta KOMPAS in Indonesian 15 Oct 92 p 4

[Editorial: "NAFTA and Indonesia's Preparedness"]

[Text] What is truly the North American Free Trade Area (NAFTA) linking the United States, Canada, and Mexico? What will be the impact of the establishment of NAFTA on developing countries, including Indonesia? Will the agreement obstruct Indonesia's exports to its member countries, especially the United States and Canada?

It is the concern over the impact of NAFTA on Indonesia's economy that prompted the Indonesian Spinners Association (Sekbertal) to organize a seminar on NAFTA on 12 October attended by the U.S and Mexican ambassadors and the Canadian charge d'affaires. The three envoys briefed participants at the seminar on the possible impact on Indonesia's economy of the trade grouping. This was followed by an important discussion among Indonesian experts: Dr. Jisman Simanjuntak, Dr. Mari Pangestu, Marzuki Darusman, and Dr. Erwin Ramedhan. Minister of Industry Hartarto and Junior Minister of Trade Sudrajat Jiwandono also joined in the discussion.

Against the backdrop of anxiety over the formation of NAFTA, the benefit it will bring to the U.S. export market, and the open criticism that the United States is a developed country whose economy is in "bad shape," it is still a fact that this country remains the largest export market for all countries in the world. It is a bigger single market than Europe.

There is a reason for the anxiety. All countries in the world would prefer to have free trade arrangements without tariff and non-tariff barriers. Under the free trade system all countries in the world are confident (even though there are still other possibilities) that they will be able to intensify their economic activities and growth and improve the people's welfare.

However, a free trade system that requires a common consensus based on GATT and the Uruguay Round of trade talks has yet to become a reality. As a matter of fact, several countries have resorted to various diversions to protect their local industries. As seen in the textile trade, this could be done through a specific commodity multilateral agreement such as the Multifibre Agreement, which is contradictory to the original GATT agreement.

The world is witnessing the emergence of regional trade groups or blocs. In Europe, for example, there is the European Union made up of 12 countries with several European countries outside the group which want to be affiliated with it. Currently, this bloc is not restricted to being a trade bloc only, as it also tackles economic and monetary affairs apart from safeguarding the group in noneconomic matters. In view of that, we can now ask: Should the European Union's ambitions be achieved, would this grouping become a giant supernation with extraordinary power? Wouldn't the European Union become a European fortress that would make it impossible or difficult for commodities from outside countries, especially the developing countries, to enter it?

In the Americas, NAFTA was established by the United States and Canada, and later Mexico was included in the agreement. Isn't this going to be another trade fortress, thus prompting the ASEAN member countries to agree to set up the ASEAN free trade area [AFTA] after the European Union and NAFTA were established? Wouldn't the inclusion of Mexico, a developing country, in NAFTA hurt exports of other developing countries?

The envoys of the three NAFTA member countries made clear at the seminar that countries outside NAFTA, particularly the developing countries, will not be disadvantaged. Canadian Charge d'Affaires David Hutton said Indonesia's exports, including textiles, will continue to increase.

U.S. Ambassador to Indonesia Robert L. Barry and Mexican Ambassador Alberto Campillo said that

NAFTA supports free trade arrangements and the enforcement of a market economy mechanism among the three member countries. Although NAFTA is the second best [preceding two words in English] alternative next to the multilateral free trade arrangement, it is compatible with GATT. NAFTA is not an economic union, and therefore it is not the same as the European single market. Each country is free to set its own tariff charges. According to Ambassador Barry, the United States will not change its import regulations and import tariffs for all countries. Furthermore, the U.S. import tariffs average only about 4 percent. Thus, the U.S.-Canada-Mexico free trade arrangements will not affect the exports of countries outside NAFTA.

The Mexican ambassador said that NAFTA is open to other countries. Chile was once said to be interested in becoming a member, but negotiations reached a deadlock. Colombia and Venezuela expressed their intention to become affiliated members and would take advantage of Mexico's membership in the agreement. Argentina and Brazil have also expressed their interest in NAFTA.

However, the anxiety over the formation of NAFTA still exists but it is not as serious as that against the European single market. Even if the three countries' trade policies and their import duties remain unchanged, non-member developing countries would have to make appropriate adjustments.

In this connection Mari Pangestu cited a list of export commodities that will probably be traded more frequently among the three NAFTA countries.

However, according Dr. Dorojatun Kuncoro-Jakti, the moderator of the seminar, developing countries, including Indonesia, do not know much about NAFTA. In other words, he said, Indonesia is not ready to face its existence. Therefore, it is better for Indonesia to have in-depth knowledge about it by doing its own homework. The available reference materials are the document for NAFTA which is 2,000 pages (the document for AFTA is only 1,000 pages), complete with trade regulations, laws, and ethics. Business associations can hold dialogue sessions among themselves on sections from the document that are relevant to them.

By doing so, apart from gaining an understanding of the subject, Indonesia can conclude whether or not it should be anxious about the formation of NAFTA and, more importantly, on how to take advantage of its establishment.

The chairman of Sekbertal, Husien Aminuddin, said that Indonesia fully understands the meaning of geopolitics. But the world has changed. A geo-economy is more prominent now and Indonesia should make prior anticipations and measures to face it.

There are voices saying that Indonesia is not prepared and has reacted rather slowly to the formation of the European Union or NAFTA. The PRC is more prepared and has already made a huge capital investment plan in Mexico. But some say that is untrue. The formation of AFTA by ASEAN is a reaction to the two trade blocs. Still, we may pose questions: Is that sufficient? Is Indonesia unable to "adjust itself" to reality and take advantage of reality?

Another thing is that during the Non-Aligned Summit it was decided that South-South cooperation and North-South cooperation would be increased. Thus the inclusion of Mexico, a developing country, into NAFTA along with the U.S. and Canada is an example of better North-South cooperation in the future.

Three Super Puma Helicopters Sold to Iran

BK2810104692 Jakarta KOMPAS in Indonesian 3 Oct 92 p 2

[Text] Indonesia has sold three Super Puma helicopters manufactured by the IPTN [Nusantara Aircraft Industries] to Iran. According to sources, France has approved the sale of the helicopters, manufactured in Indonesia under a license from the French Aerospatiale corporation. Iran actually wanted to purchase five Super Puma NSA 332 helicopters, but the IPTN was ready to sell only three. The IPTN has thus far manufactured nine Super Puma helicopters for Indonesian civilian and military consumers. Malaysia has also ordered one Super Puma helicopter. The IPTN will deliver in the near future two such helicopters to the Indonesian Government to be used by VIP guests.

Timor Governor Says Army Presence Still Needed

BK2710133292 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 27 Oct 92

[Text] East Timor Governor Abilio Soarez says the number of ABRI [Indonesian Armed Forces] personnel in the province should be reduced and the status of the military operation command can be downgraded to the Korem [Military Area Command] level. However, territorial operations are still needed because the East Timor people are still fragmented.

Speaking after he met with President Suharto at the Merdeka Palace today, Governor Soarez said the security situation in the youngest Indonesian province remains stable even though we are approaching 28 October and 12 November. On 28 October 1991, an incident against the province's integration into Indonesia took place, which developed and reached its climax in the Dili incident on 12 November 1991. The governor stressed that the ABRI presence is still needed, though in a smaller number due to the split of the East Timorese into several groups as a result of the divide-and-rule policy by the Portuguese colonialists who occupied the province for 458 years.

Envoy Views Australia's Proposed Aid to E. Timor

BK2810131492 Jakarta ANTARA in English 0656 GMT 28 Oct 92

[Text] Surabaya (East Java), Oct 28 (OANA/ANTARA)—There should be no problem in Australia extending aid to East Timor, Indonesia's 27th province, as long as no political motives are behind it, Indonesian Ambassador to Australia Sabam P. Siagian said here Tuesday.

If the aid is merely aimed at enhancing the welfare and prosperity of the East Timor people, Indonesia will always welcome it gladly, he said when commenting on reports in the CANBERRA TIMES that Australia's Northern Territory starting next year will support the development of the vocational schools in East Timor.

The 18.4 million Australian dollar assistance, provided by the Australian International Development Assistance Bureau (AIDAB) and the Indonesian Ministry of Education will also cover other provinces belonging to Eastern Indonesia.

According to Siagian, four development projects have been carried out by the Northern Territory administration in Eastern Indonesia so far as a follow up of the cooperation between Indonesia's Makasar industrial estate and Australia's Darwin industrial zone.

Spokesman Claims Dili 'Under Seige' by Military

BK2910025892 Hong Kong AFP in English 0239 GMT 29 Oct 92

[Text] DARWIN, Australia, Oct 29 (AFP)—Indonesia is using the upcoming anniversary of the East Timorese massacre as an excuse for a military crackdown, a spokesman for East Timor's resistance movement said here Thursday.

The Australian representative of Fretilin, Alfredo Ferreira, said the East Timorese capital Dili, where Indonesian troops massacred at least 50 civilians in Santa Cruz cemetery last November 12, is now virtually under seige by security forces.

An Indonesian army inquiry put the death toll at 50, while independent witnesses claimed more than double that number.

Ferreira said he doubted reports from Jakarta that a roundup of 1,000 East Timorese without identity cards had foiled plans by rebels for a demonstration to mark the anniversary.

Ten people described as suspected pro-independence activists were found among them, army brigadier-general Theo Syafei, chief of the East Timor military command, has said.

Syafei said the suspects told investigators they planned to stage protests to commemorate the anniversary of the massacre.

Ferreira said he doubted that East Timorese were planning any form of protest because it would be "almost impossible to organise anything" given the military presence.

"The people in Dili are nearly under siege from the Indonesian army."

His sources in East Timor had told him Dili was so full of soldiers "that you can hardly move in the street" and the situation is getting worse.

Indonesia was using the approaching anniversary as an "excuse to crack down" on the East Timorese population, he said.

An Australian parliamentary delegation that was denied access to East Timor is due to return from a study tour of Indonesia on Saturday.

The delegation, headed by senator Chris Schacht, was initially granted access to East Timor, but days before the delegation left on its tour Indonesia withdrew the permission, citing concerns about security so close to the anniversary.

East Timor, a former Portuguese colony, was annexed by Indonesia in 1975. The annexation has not been recognised by the United Nations.

Laos

Emerging New World Order Principle Discussed

BK2910120392 Vientiane Vitthayou Hengsat Radio Network in Lao 0430 GMT 24 Oct 92

[Article by Khamsao Chaisouk: "To Whom Does This Earth Belong?"]

[Text] Dear listeners, amidst the dramatically changing situation in the world today, newspapers in various corners of the globe have publicized the fact that leaders of a certain country want to overwhelmingly establish a new world order.

George Bush, the 41st president of the United States, once remarked: The United States may have to shoulder an important task of leading the world, a repeat of our action in the past, because only the United States is capable of doing so.

Richard Nixon, a former U.S. president, wrote a book entitled: *Seize the Moment.* The book was published in December last year and says in part: At present, being the only country in the world that has high economic, military, and political potential, the United States is standing on solid political foundation. This probably is the first time ever that it perfectly deserves the status of superpower. The only question is in what way should we exercise our unprecedented power.

These pompous statements considerably contradict the international trend of the present era because the world situation has changed tremendously during the late 20th century. International relations no longer necessarily proceed according to the political system or set of rules used following World War II. The problem of socialism being an obstacle to international relations has gradually perished. In the process of international relations, attitude toward and interpretation of the words friend and enemy are being adjusted.

Sociologists say our present earth is a unified system in which the benefit of a nation or a country is closely related with that of another nation or country. But in reality, this has never happened. The benefit of a country is an important cause of international conflict leading to various levels of wars. While an old conflict is settled a new one arises. At present, as the world enters the 21st century, the economic superpowers are actively planning to establish a new world order.

Regarding the situation in the former Soviet Union and Eastern Europe, the United States and its Western allies are trying to maintain democratic reform through various means with a view to detering a return of the old political system.

What worries Washington most is the strength of Germany, which has played an important role and is located in the center of Europe, and the expansion of Japanese economic power in the Asia-Pacific. Germany and Japan look as if they have followed the guidelines of the United States, but in reality they have also developed their own potential toward superpower status.

Nowadays, France and Germany are closely cooperating with each other in implementing a military strategy under the theme: The European continent belongs to European people. Setting up armed forces commanders in Europe is an important initial step by Bonn and Paris aimed at destroying the U.S. intention of controlling, supervising, and commanding Europe through NATO.

A critique predicts that in the future the leadership banner in Europe will no longer be the United States but will be Germany and France. If European countries are unified into an unsurpassable powerful force, the superpower United States may shift its attention to the Asia-Pacific. This is because the United States has assessed that the 21st century will be the century of the Asia-Pacific where development will be made more rapidly than in any other part of the world. And at that time there will be stronger competition between the United States and Japan. At present, Japan has already begun to [words indistinct]. A clear indication is that its National Assembly has passed a law allowing Japanese military force to carry out operations abroad under the United Nations banner. Japan has already sent its engineering troops to join the UN forces to carry out operations in Cambodia.

Observers comment that the international political arena in the next few decades will see the strongest competition between the United States, Germany, and Japan. While the United States is improving its strategy comprehensively, several major Western countries are trying to join forces to stop the expansion of influence from external powers. An example of this is the economic and financial unification in the European Community, which is quite a hot issue at present. This has resulted in the gradual worsening of relations between the United States and its European allies, which are no longer easily controlled like the past.

After World War II, the United States' total national combined production was about 50 percent of the world's total. Following World War II, both the winning and losing countries suffered equally serious damage in property and personnel, but the United States was not damaged at all.

While various countries were suffering the "wounds of the war," the United States took advantage to speedily build its economy in various ways, gaining benefits from other countries. In so doing, the United States acted as an imperialist to bring prosperity only to itself until it has become an economic superpower. However, several other countries have boosted themselves to a similar economic superpower level as the United States.

Suffice it to say that, presently, the perception of world progress and civilization by various countries in the world has gradually improved. Therefore, it is no longer acceptable that a big country force another country to do this or that as it likes.

All in all, a new world order that countries wish to establish must truly be based on principle and the atmosphere of peace, stability, equality, and cooperation.

Philippines

Ramos Proposes Amendments to Peace Talks Agenda

HK2810144792 Quezon City ABC-DWET Television in English 1300 GMT 28 Oct 92

[From the "ABC-DWET News Program"]

[Text] President Ramos approved today a revised version of the joint declaration reached between the National Democratic Front [NDF] and government negotiators during informal peace talks in the Netherlands.

The president put forth 10 amendments to the declaration. Some of these changes involved private armies, the administration of justice, and the economic components of national unification. The revised documents shall be sent to NDF Chairman Luis Jalandoni.

The talking points contained in the revised declaration shall be the subject of the second round of dialogues with the NDF.

And in three days, the Reform the Armed Forces Movement shall submit its own list of talking points to the National Unification Commission [NUC].

On the talks with the Muslim secessionists, NUC Chairman Haydee Yorac disclosed that the government will grant observer status to the representatives of the Organization of Islamic Conference.

Approval of Declaration Announced

HK2910054192 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 28 Oct 92

[Text] National Unification Chairman Haydee Yorac has announced the approval of the joint declaration signed in The Hague by Congressmen Jose Yap and National Democratic Front representative Luis Jalandoni in September. The approval came from President Ramos' office in Malacanang, but there were some conditions, one of which is to thoroughly explain the declaration as requested by the various sectors of society during their talks with the National Unification Council.

Ramos Approves Continuing Talks With MNLF

HK2910060992 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 28 Oct 92

[Text] President Ramos has given his approval for continued talks with Nur Misuari [Moro National Liberation Front chairman] to resolve the rebellion problem in Mindanao.

National Unification chairperson Haydee Yorac said the talks with Misuari about this matter began in Tripoli a long time ago, which is why the Philippines insists that the peace talks should now be held in the country. Yorac added that the agenda for the talks is too important and sensitive and should be concluded in the Philippines if peace in the region is to be achieved.

In this connection, the Philippine Government welcomes the attendance of the Islamic Conference Organization to witness the talks between Misuari and the government.

Military Prepares for Misuari's Return

HK2810143192 Quezon City ABC-DWET Television in English 1300 GMT 28 Oct 92

[From the "ABC-DWET News Program"]

[Text] Preliminary talks with the Moro National Liberation Front [MNLF] have begun in Tripoli, Libya. The government is preparing for the second round of the talks with the Muslim rebels. General Lisandro Abadia, Armed Forces chief of staff, said preparations are being made over the objections of some former military strategists.

We have the big story from Tony Velasquez:

[Begin recording] [Velasquez] Armed Forces chief General Lisandro Abadia said the military will protect the safety of Nur Misuari if and when the Muslim rebel leader returns to Mindanao from abroad.

General Abadia gave this assurance a day after the Armed Forces issued safe conduct passes to 11 senior leaders of the MNLF. The military chief clarified that Misuari himself would not need a safe conduct pass in order for the MNLF chairman to travel safely around Mindanao. This was confirmed by Defense Secretary Renato de Villa.

[De Villa] There is a standing cessation of hostilities between the government and the MNLF which was forged by President Aquino and Mr. Misuari in 1986, if you recall. So that stands.

[Velasquez] But Secretary de Villa cautioned that while exploratory peace talks are still ongoing, Nur Misuari should not return to Mindanao without first informing the NUC [National Unification Council].

[De Villa] It will not be advantageous for both sides for him to just show up and go around by himself.

[Velasquez] The defense secretary joined President Ramos and General Abadia today at Camp Aguinaldo for the 10th anniversary celebration of the Last Watering Hole, an association of retired military officers.

ABC-5 learned that many of the retired officers disapproved of the government's move to seek out Misuari and convince him to return to the Philippines. The association plans to submit a paper to President Ramos, cautioning the government against inadvertently reviving what they see as Nur Misuari's already diminished stature. [end recording]

Ramos Orders Government To Prepare for Protests

HK2910064292 Hong Kong AFP in English 0602 GMT 29 Oct 92

[Text] Manila, Oct 29 (AFP)—President Fidel Ramos has ordered all government agencies to prepare for possible large-scale protest actions against a scheduled power rate increase, Palace documents released here Thursday said.

Defense Secretary Renato De Villa was also quoted in the documents as warning that some groups, including some unnamed government officials, were seeking to exploit the situation to make the Philippine government look bad.

De Villa said "some government leaders are getting into the act on the other side," adding that these groups may be planning mass actions to put the blame on the government for the 11 percent power rate hike which will take effect on December 26.

Ramos was reacting to a massive protest by leftist groups against the power rate hike staged in the southern city of Davao on Monday [26 October]. One person was killed in the action, which was supported by Davao's mayor Rodrigo Duterte.

Ramos said the government had been unprepared for the strike in Davao and ordered state agencies to try to inform the public beforehand about the necessity of the power rate hike and the minimal effect it would have, the documents revealed.

Presidential Spokeswoman Annabelle Abaya would not identify the government leaders who were "getting into the act," but said this could refer to unnamed local government heads.

Leftist groups have traditionally used power or fuel rate increases as opportunities to stage massive protests against the government.

Ramos Resolved To Push For Access Arrangement

HK2910065092 Quezon City ABS-CBN Broadcasting Corporation DZMM in Tagalog 0400 GMT 29 Oct 92

[Text] The Ramos administration is clearly determined to convert Clark Air Base [CAB] into a training facility for foreign troops. This, according to Senator Tanada, was contained in the report submitted by Major General Lisandro Abadia, Philippine Air Force [PAF] chief, which reveals that the Defense Department is determined to place Clark Air Base, Wallace Air Station, and Camp O'Donnell under its control, and convert CAB in to a PAF camp, paving the way for U.S. and ASEAN armed forces to use CAB as a training ground.

Tanada said it is clear that the Ramos administration is determined to push for an access arrangement rather than honor the original plan of commercializing these bases.

Hence, Tanada has asked for the Senate's help to pressure the Ramos administration into immediately setting up the Bases Conversion Development Authority [BCDA]. Tanada said the move would force the government to abandon the access arrangement plan and push through with the commercialization of the bases for the sake of the displaced base workers.

The Bases Conversion Development Act [under which the BCDA was formed] was ratified in March; however, the president has failed to execute the act.

Meanwhile, Senator Tanada has filed Resolution Number 196, demanding the review and abrogation of the Mutual Defense Treaty.

Manila To Help Normalize U.S.-SRV Relations

HK2910031492 Manila BUSINESS WORLD in English 29 Oct 92 p 16

[Text] The Philippines will act as a go-between in the normalization of relations between Vietnam and the United States, a ranking Foreign Affairs official disclosed.

"We see ourselves as a bridge between two good friends," the DFA [Department of Foreign Affairs] official said.

Significantly, the party of 22 leading businessmen accompanying Foreign Secretary Roberto Romulo on a visit to Vietnam from November 10 to 13 will include Marsh Thomoon, an American executive and a leading member of the American Chamber of Commerce in Manila. At present, the US still imposes economic sanctions on Hanoi and forbids its nationals to engage in trade with the Vietnamese.

Among the CEOs [chief executive officer] and top executives in the Romulo delegation are: Francisco Eismendi, San Miguel; Carlos Soriano, Anscor; Enrique Razon, Jr., Manila Container Port; Rene Ocampo, Philippine Airlines; Feliciano Belmonte, Star Publishing group; Manuel Abelleda, Philippine Data Networking Corp.; and, banker Raul Bernabe de Mesa.

The group which will be exploring trade and investment opportunities in Vietnam provide a cross-section of industrial expertise in sectors ranging from aviation, food processing and port operations, to banking, telecommunications and computer processing.

Rebels Threaten To Disrupt Road Project

HK2910053592 Quezon City MALAYA in English 29 Oct 92 p 2

[Text] New People's Army [NPA] rebels have allegedly threatened to stop the construction of a government-funded road project in Mulanay, Quezon after the private contractor refused to pay "revolutionary taxes", the Armed Forces reported yesterday.

Maj. Antonio Inciong, AFP [Armed Forces of the Philippines] Civil Relations Group chief in Southern Tagalog, said NPA commander Julio Atienza, alias Ka [Comrade] Ramon, of the Melito Glor Command, reportedly demanded a P60,000 [Philippine pesos] tax.

Inciong added that the rebels threatened to kidnap the contractor, who was not identified, if he failed to pay revolutionary tax.

The rebels told Yuni barangay officials that landmines will be planted on the unfinished portions of the road to sabotage the project.

Inciong branded the NPA demand as "pure extortion" and cited the rebels alleged disregard for the welfare of the people who badly need farm to market roads.

Inciong said this is the first time that the local NPA directly threatened to stop an infrastructure project.

Thailand

Intruding Burmese Preparing for Thai Counterattack

BK2910015792 Bangkok BANGKOK POST in English 29 Oct 92 p 6

[Text] Burmese troops occupying two tactical sites in Chumphon and Kanchanaburi provinces are reported to be on full alert for attacks by Thai forces to push them back across the border, a well-informed military source said.

The Burmese troops have been on full alert since Army Chief Gen Wimon Wongwanit vowed to push them back to Burma.

The first location, occupied since February, is Hill 491 in Tha Sae District of Chumphon Province reportedly manned by troops of the 262nd Battalion under the command of Lt-Col Ko Ko Kyaw.

The second location occupied since December 16 last year, is a border pass at Ban Hin Kong village in Thong Pha Phum District of Kanchanaburi Province.

Hin Kong pass is occupied by troops of the 61st Light Infantry Battalion under the command of Lt-Col Thura Kyaw Win.

The source said that Border Patrol Police in nearby E-tong village, which earlier failed to drive out the Burmese troops, are now only keeping a close watch on their movements. There have been no clashes between them.

The Burmese troops have installed mortars and machine-guns in bunker positions in preparation for attacks by Thai forces, the source said.

Officials Discuss Problems of Burmese Students

BK2810150392 Bangkok Voice of Free Asia in Thai 1030 GMT 28 Oct 92

[Text] Chaiwat Hutacharoen, deputy permanent secretary for security affairs of the Interior Ministry, stated during an interview at the ministry yesterday that about a thousand Burmese students had reported to the ministry following an announcement that they have until 1-30 November as deadline to register for asylum at the center for Burmese students in Ban Mani Loi, Tambon Wang Manao, Pak Tho District, Rat Buri Province. Officials are working on the processing. About 600 of this number have received identification papers. Burmese students who failed to report in time would be considered illegal immigrants and action would be taken against them.

Concerning fears by Burmese students that they would be sent back to Burma, the deputy permanent secretary said it was unlikely the Thai Government would send the students back. He said Thailand had discussed this with international organizations, including the UNHCR, which agree it is better to group the Burmese students under the same roof instead of allowing them to be scattered around at various places. Concerning the students' fear that they would have no freedom in the center, which is considered to be like a refugee center, the official said the center would be very comfortable for them and the students could ask permission from authorities to leave the center for certain activities such as attending classes.

Police Lieutenant General Phibun Kunlawanit, commissioner of the Special Branch Police, meanwhile reported to newsmen that he had already got from the Interior Ministry and the Burmese Embassy the lists of Burmese students who have applied for asylum at the Rat Buri center. There are altogether about a thousand of them, and they are both genuine students who are seeking political asylum here as well as those who have disobeyed Thai law and challenged the regulations established by the Interior Ministry. The latter group tried not to be recruited into the camp by exploiting the fact that Thailand would be accused of abusing human rights if the government decided to send Burmese refugees back to Burma. At the same time, they used Thailand as a springboard for their activities aimed at undermining the Burmese Government as well as diplomatic relations between Burma and Thailand. Thailand must make a clearcut decision to solve the problem as it is at present.

Minister Vows To Back UN Sanctions on Pol Pot

OW2910100892 Tokyo KYODO in English 0939 GMT 29 Oct 92

[Text] Bangkok, Oct. 29 KYODO—Thai Defense Minister Gen. Wichit Sukmak told Japan's Defense Agency Director General Sohei Miyashita Thursday that Thailand will back United Nations sanctions against the Pol Pot faction in Cambodia if they are imposed.

Vijit made the remark in reply to a query from Miyashita who has just ended a visit to Cambodia, according to Japanese officials travelling with Miyashita.

Representatives of the Japanese and Thai governments called on Khmer Rouge headquarters October 22 to present Khmer Rouge President Khieu Samphan with a new proposal to get the stalled peace process back on track.

The Japanese and Thai negotiators were due to begin talks with representatives of the Pol Pot faction Thursday.

Vijit told Miyashita he hopes the talks will produce results, but said that if the Khmer Rouge faction refuses to return to the peace process, Thailand is prepared to participate in any sanctions the UN may impose.

The Pol Pot-led Khmer Rouge group is the strongest of three guerrilla factions. It fought a decade-old civil war against the Vietnamese-installed Phnom Penh government in Cambodia.

It has so far refused to demobilize most of its armed forces in compliance with a UN-brokered agreement, because it says Vietnamese troops are still in the country.

A Vietnamese invasion ousted the Khmer Rouge from power in Cambodia in 1978.

Vijit also indicated he welcomes Japan's participation in UN peacekeeping operations in Cambodia.

Miyashita thanked Vijit for allowing the SDF [Self-Defence Forces] personnel to use a military base in Thailand.

Editorial Praises Military Cuts

BK2910030792 Bangkok THE NATION in English 29 Oct 92 p A6

[Editorial: "Top Brass Must Serve Under Civilian Control"]

[Text] During last week's debate on the Chuan administration's policy statement, Gen Athit Kamlang-ek, a senior executive of the Chat Phatthana Party, criticized the Thai armed forces for being "top heavy". He estimated that there are one battalion of major generals (about 600 in strength), one company of lieutenant generals (100), and two platoons of full generals (60). Altogether their number could, according to Athit who was supreme commander and army chief in the mid-1980s, easily qualify Thailand for the world record of having the largest number of generals per capita.

The senior opposition MP from Loei called for a major cut in the number of generals and the recruitment of more volunteers to serve as non-commissioned officers, who form the mainstay of the armed forces. On Tuesday the Defence Council made several decisions that include reducing the number of generals by about a third over a long period, and slow down the promotion of other officers.

Instead of twice a year in April and September, from now on there will be only one major military reshuffle, in September, each year. Inactive posts given to generals will be left unfilled once the incumbents retire. Redundant offices in military headquarters will be closed down and their commanders and staff reassigned. The Defence Council set no time-frame for these moves, but top commanders believe they will result in reducing the number of generals by about a third over the next several years.

This is good news. Moreover the armed forces are studying plans to shorten compulsory military service and reduce the number of draftees. The army, in particular, is interested in cutting service time from two years to one, with the goal of phasing out conscription eventully. This too is timely and appropriate as Thailand is at peace with itself and its neighbours in the post-Cold War world.

The enormous saving from reducing the number of generals and draftees should first and foremost go to increasing the pay and improving the welfare benefits for non-commissioned officers instead of being squandered on new, expensive weapons that our country does not need.

However the Defence Council shied away from the idea of dissolving the antiquated Supreme Command, set up to orchestrate joint military operations against communist insurgents since the late 1950s. The Supreme Command has established numerous offices for intelligence, operations, rural development, inter-service coordination, national security, psychological propaganda, etc. Most of these offices duplicate the work of other military branches and government agencies, but few military leaders have ever tried to close them because they provided a convenient refuge for generals and colonels who are out of the power circles in their respective branches as they await retirement.

The Defence Council did endorse the idea to transfer the power to deploy military forces in internal peacekeeping operations from the supreme commander to the prime minister. This is aimed at preventing the type of military excess that occurred in May. (But the power will not extend to security operations in the border areas where the military still reigns supreme.) Still there was no move to involve the prime minister in the Defence Council, which is chaired by the defence minister under its present arrangement. Premier Chuan Likphai has made clear he and his administration intend to have more say in all important decisions in the military. But with him still outside the Defence Council, how he is going to influence its decision-making is not clear since Defence Minister Gen Wichit Sukmak is a nonpartisan appointment who is still very much considered a militaryman though he resigned as deputy chief-of-staff of the armed forces before he joined the Chuan Cabinet.

All in all the Thai military is apparently changing for the better with top commanders more open to new, reasonable ideas on the reorganization of the armed forces. They also seem fairly responsive to calls from elected politicians for more accountability and openness—though most of the top commanders still tenaciously defend their tight control over military "secret funds" and object to all suggestions to declassify details about the "secret funds" over a certain period.

Like it or not, all the top commanders must eventually accept civilian control of the military. During this transition they will have to learn how to cooperate with and work under closer supervision of the Cabinet, starting with the investigation of reports about secret disposal of the bodies of victims in the May military crackdown on pro-democracy demonstrators.

More Checkpoints Needed at Cambodian Border

BK2910014392 Bangkok BANGKOK POST in English 29 Oct 92 p 3

[Text] More checkpoints should be opened along the Thai-Cambodian border in order to boost trade between the people of both countries Foreign Minister Prasong Sunsiri said yesterday.

The minister said he raised the possibility of opening a new checkpoint between Klong Yai District of Trat Province and Koh Kong in Cambodia about two weeks ago when he met Chea Sim, chairman of the Phnom Penh National Assembly.

Reports from the border said Phnom Penh authorities unilaterally have opened the checkpoint at Poipet on a permanent basis.

Speaking to reporters at Don Muang Airport before heading for Manila, Squadron-Leader Prasong said he welcomed any move to open more border crossings to boost trade between Thais and Cambodians.

He said he supported any initiative to upgrade temporary checkpoints to permanent ones. But the situation in the neighbouring country continues to obstruct the move which would have to be decided by the Interior Ministry, he added.

The matter will be taken up with Interior Minister Gen Chawalit Yongchaiyut at a later date, he said.

Poipet has reportedly become a popular entry point for tourists and traders as travel by land is cheaper than by air.

Cambodian authorities there reportedly are allowing tourists and traders to enter the country for up to two weeks after paying a fee of US$25 each (about 625 baht).

Capt Kheng Sok Meth, the Poipet police chief and immigration authority, said the move followed a decision by Phnom Penh authorities.

However, Thai officials maintain that travel from Thailand through Poipet is illegal.

Double Taxation Agreement Reached With Vietnam

BK2610041392 Bangkok THE NATION in English 26 Oct 92 p B1

[Text] Thailand has signed a double taxation treaty with Vietnam using a tax rebate system, informed sources from the Finance Ministry said over the weekend.

The signing took place last week with Thailand represented by the Foreign Ministry. The agreement came after two rounds of talks between Thai and Vietnamese tax officials.

This double taxation treaty is Thailand's 22nd and is designed to support in particular, the increasing number of Thai investors in Vietnam.

The two principles used in drawing up a double taxation treaty are to waive taxation paid in one country and the other is to allow tax rebates from one of the countries if taxes are paid in both.

The Thai-Vietnamese double taxation treaty demands payment of taxes in both countries, but investing firms can seek rebates from the government of the country in which they originate.

Thai firms with promotional privileges from the Board of Investment can invest in Vietnam as a normal concern and be eligible for tax credit and rebates here, in according to the tax privileges.

Vietnam sought a waiver on the tax on transportation for cargo between the two countries. But the Thai side asked for a compromise so that only 50 per cent of the original tax rate should be levied.

"The agreement was wrapped up fast as we treated the Vietnamese very warmly. They also wanted to promote Thai investment in Vietnam," a source said.

On the progress of talks on a double taxation treaty between Thailand and the United States, both Thai and American tax officials have discussed the details but the agreement is yet to be confirmed, pending the US decision on whether to exercise trade retaliation under Section 301 of the US Trade Act on Thai products. Tax officials from both countnes will meet again in November.

Problems in GATT Not To Affect Exports

BK2510113792 Bangkok Radio Thailand Network in Thai 0000 GMT 25 Oct 92

[Text] The failure of GATT talks between the United States and EC countries will have repercussions on world trade. Meanwhile, the Thai private sector believes that the economic team of the Chuan Likphai government will be able to cope with any possible impact on Thailand. Commenting on this issue, Prayun Thaloengsi, director of the administrative section of the Board of Trade said:

[Begin recording] [Prayun] Failure of the GATT talks between the EC countries and the United States will not have much impact on Thai exports. Despite the prevailing protectionist practices, Thailand is able to achieve 16 to 17 percent export increases annually. I believe that if we can find more markets through bilateral trade talks and secure economic cooperation among ASEAN members to increase our bargaining power, Thailand will not feel much impact but world trade will be much affected.

[Unidentified reporter] Do you have any suggestions for the government?

[Prayun] As for the Thai Government, since multilateral trade talks do not work, we will have to emphasize bilateral talks with our major trading partners, such as the United States and EC countries, since these two markets absorb some 40 percent of our exports. If we can establish good contact with the two markets, we will not face much of a problem. Meanwhile, we must give sufficient and effective protection to intellectual property. Our policy in this regard must be firm. Second, I think we must accelerate establishment of the Asean Free Trade Area. We might have to make some sacrifices for the interests of our group and try to find more markets for our products. I believe we will be able to overcome the obstacles. [end recording]

Agency To Handle International Trade Proposed

BK2810032192 Bangkok THE NATION in English 28 Oct 92 p B1

[Text] Dr Suphachai Panitchaphak, deputy prime minister for economic affairs, wants to see the establishment of a government agency to handle international trade. He plans to raise the proposal to Cabinet next week.

The new government agency would report to the Prime Minister's office, in the same way as the US Trade Representative reports to the US president.

The agency would act as a central organization to define the government's position on international trade forums, such as the Asean Economic Ministerial meeting, the Asia-Pacific Economic Cooperation (Apec) and the Asean Free Trade Area (Afta) Council.

"There has been no specific government organization to handle international trade policy exclusively, and Thailand's position is handled differently by different ministries," he said.

The new organization would also collect information on various international trade issues, both the legal aspects and terms of references.

Suphachai said that the new body would co-ordinate the work of different ministries involved in international trade, such as the Finance Ministry, the Agriculture Ministry the Industry Ministry and the Ministry of Commerce.

He added that the new body should report directly to the Prime Minister to allow its work run more smoothly and more efficiently. "But the status of the new organization will depend on Cabinet's agreement next week," said Suphachai.

Asked whether the task of the new body would duplicate that of existing departments, he said that the other government agencies would continue to proceed their assignments as usual, while the new body would focus only on international trade policy.

"We have to sound out preferences among the officials who are handling international trade, so that we can properly lay down the guidelines for the creation of the new body," he said.

Suphachai last week represented Thailand at the 24th Asean Economic Ministerial Meeting, which has agreed to hold the next Afta Council in Jakarta on Dec 11-12.

Asked if the government would assign the Commerce Ministry to represent Thailand at the Afta Council forum, Suphachai said that the government must consider which ministry is directly involved in Afta.

"The upcoming meeting will focus on tariff reductions to accomplish the regional free trade area... and it relates directly to the Finance Ministry's ambit. Therefore, the Finance Ministry should take a leading role at the meeting," he said.

Referring to vegetable oil—one of the goods subject to accelerated tariff cuts—Suphachai said that the Thai government would cut the tariff on palm oil to comply with the Afta concept, but ways and means to cut the tariffs on imported palm oil rest on further international trade talks.

Navy Commander on Talks With UK Counterpart

BK2810143592 Bangkok Radio Thailand Network in Thai 0530 GMT 28 Oct 92

[Text] Thai and British navy forces have agreed to increase cooperation on joint naval exercise and personnel training. These are the results of talks between Navy Commander Admiral Wichet Karunyawanit and British Navy Commander (Sir Julian Oswald) on 26 October on the occasion of the Thai navy commander's official visit to Britain as guest of the British Defense Ministry from 24 to 28 October.

Admiral Wichet told an official of the Thai Information Service in London after the meeting that the two sides had discussed joint naval exercises. The British navy commander agreed with the idea of holding joint naval exercises when British naval ships visit Thailand. This will enable the Thai Navy to learn about modern operations. In addition, the two sides also discusssed training courses in Britain which the British Navy will arrange for Thai officers. The navy commander also said that such cooperation is in line with the new government's policy of reducing the Armed Forces' personnel while increasing its efficiency.

After the meeting with the British navy chief, the Thai navy commander and his delegation visited naval stations and modern military equipment of the British Navy for about two days.

Funds Allocated To Train New Riot Police Force

BK2610023992 Bangkok BANGKOK POST in English 26 Oct 92 p 1

[Text] The police department will use a 360 million baht budget to train riot police to cope better with public demonstrations.

Police assistant director-general Pol Lt-Gen [Police Lieutenant-General] Chumphon Atthasat said policemen are undergoing training to become part of a new riot control force comprising more than 22 companies.

Meanwhile police from the Metropolitan Police Bureau and the Crime Suppression Division are being trained to cope with demonstrators less violently but more effectively.

Pol Lt-Gen Chumphon said the 360 million baht will pay for tear gas, gas masks, shields and other equipment necessary to contain demonstrations.

The budget was part of the previous Anan Panyarachun government's effort to handle public protests better following the May massacres.

A government committee set up during the Anan administration which followed the May events had recommended that riot police be trained to cope with demonstrators without using "relatively violent" military support.

No lethal weapons or violent means will be used to disperse demonstrators, Pol Lt-Gen Chumphon said.

The new force will not only control crowds but also prevent property from being damaged or destroyed.

He said the riot police will remember demonstrators are not their enemy and that their role is only to control, not suppress them.

A centre for the riot police will be set up in Bangkok with primary personnel recruited from the Metropolitan Police and supporting personnel from the First Provincial Police Subdivision in Ayudhya, the Second Provincial Police Subdivision from Chon Buri and the Third Provincial Police Subdivision from Nakhon Pathom.

Army To Launch Opium Poppy Eradication Program

BK2410031692 Bangkok BANGKOK POST in English 24 Oct 92 p 2

[Text] Phitsanulok—The Third Army Region will launch a campaign to destroy over 10,000 rai of opium poppies in nine provinces of the North next month, an Army spokesman said yesterday. Hundreds of soldiers, rangers and Border Patrol Police will be mobilised in the operation, Third Army spokesman Col Banyong Sirasunthon said.

The Army knows of about 15,000 rai where poppy is being grown, especially in Chiang Mai, but not all of these fields can be reached during the campaign.

Poppy eradication at any one location is expected to take a week but the whole campaign will last a month in which about 10,000 rai will be destroyed.

The campaign is supported by the US Narcotics Affairs Section (NAS) which has allocated about 17.2 million baht this year through the Department of Technical and Economic Cooperation, Col Banyong said. Most of the funds will go to villagers who grow poppy to assist them in growing substitute crops. The rest of the funds will be used in the actual eradication campaign itself.

Col Banyong said that as a result of continued eradication campaigns since 1984, areas in the North where poppy is grown has reduced each year.

In 1984 there were about 54,854 rai of opium fields in the North while only 3,230 rai of poppy was destroyed that year.

Col Banyong said the Third Army last year discovered 18,854 rai of poppy plantations and destroyed 13,625 rai.

The eradication campaign will target about 385 villages in nine northern provinces.

Of this number, 181 villages are in Chiang Mai, 65 in Chiang Rai, 61 in Mae Hong Son, 32 in Tak and 26 in Nan and the rest in Phayao, Kamphaeng Phet, Phitsanulok, and Phetchabun provinces.

In a related report, the French-financed Centre for Detection of Poppy Fields in Chiang Mai said the French SPOT satellite which has been launched to pinpoint opium plantations in the North has been successful in monitoring poppy growing. The SPOT satellite is capable of taking images covering 3,600 square kilometres.

Vietnam

Radio Reviews Cooperation With Malaysia, Japan

BK2610063292 Hanoi Voice of Vietnam in English 1000 GMT 22 Oct 92

[Text] Malaysian Prime Minister Mahathir Mohamed told NIHON KEIZAI correspondent that his country is considering cooperation with Vietnam.

At the meeting with Japanese counselors in Tokyo during his recent visit to Japan, the Malaysian Prime Minister said it is good that Japan and Malaysia jointly set up joint enterprises in Vietnam. In an interview on October the 9th, NIHON KEIZAI said that Malaysia is considering a joint venture between Japan, Malaysia, and Vietnam for the production of tin, cement, and [words indistinct].

This is a good idea from the Malaysian Prime Minister. It represents the multilateral relationship which has been opening with Vietnam.

Since Vietnam carries out its policy of renovation and its open up policies, bilateral and multilateral cooperation has developed in Vietnam. At present, Malaysia is one of the six biggest ASEAN investors in Vietnam with the total capital of 75 million dollars. Trade turnover between the two countries rose from $20 million in 1985 to nearly $100 million in 1991. Besides economic ties, the friendship and cooperative relationship between the two countries has also developed.

Meanwhile, though having no official state economic relations with Vietnam, Japan has also increased its trade and business in Vietnam. The two-way trade turnover between Japan and Vietnam reach 900 million dollars in 1991 and Japan is now one of the big trading partners of Vietnam. However with its economic potential, Japan's investment in Vietnam is still modest, ranking ninth among the list of foreign investors in Vietnam.

In the future, Japan's cooperation and investment will develop. One sign of this development, as Malaysian Prime Minister Mahathir Mohamed said, are the joint enterprises between Japan, Malaysia, and Vietnam.

Singapore's Wong Kan Seng Discusses Investment

BK2210134392 Singapore THE STRAITS TIMES in English 22 Oct 92 p 8

[By Tan Lian Choo]

[Text] Hanoi—Singapore hopes that Vietnam will streamline its bureaucratic procedures for foreign investors, who may drop it for other nations in the region if they are frustrated continually by the authorities, says Foreign Minister Wong Kan Seng.

He told Singapore journalists yesterday at the end of his three-day official visit here that he had raised this issue during his talks with Vietnamese leaders.

Several Singapore businessmen had complained about difficulties in doing business in Vietnam despite the Singapore Government's policy of encouraging Singapore companies to come here.

Currently, applicants for Vietnamese Government approvals for setting up businesses have to go through a plethora of competing agencies at different levels of administrative controls—from the town or city levels to that of state planning bodies and, in many cases, even ministerial committees.

"Eventually, they have to decentralise—whether it's to the towns, to the provinces or to the regions—they will have to allow decisions to be made at these different levels," said Mr. Wong.

He said that many Singapore businessmen faced problems with their applications for licences.

Some even faced other bureaucratic obstacles after receiving the permits or approvals for their investments.

"I said this will not help investments here—investors need simple, clear and transparent rules. I suggested a one-stop agency for them where they can apply for all the necessary permits. That will simplify the whole procedure."

Mr. Wong said that Vietnam could take a leaf from China's modernisation plans by drawing from the lessons learnt in Shenzhen Special Economic Zone.

The experience there showed that foreign businessmen were encouraged to invest if there was minimum red tape, he said.

The Vietnamese leaders Mr. Wong met, including Prime Minister Vo Van Kiet acknowledged the problem but said it would take time to sort it out.

Mr. Kiet, Foreign Minister Nguyen Manh Cam and President Le Duc Anh all stressed during their talks with Mr. Wong the importance of Vietnam's "renovation" programme, which calls for a transformation from a centralised economy to a market-oriented one.

But the Vietnamese political leadership currently faces the dilemma of how to encourage decentralisation for economic reforms while retaining political control.

Mr. Wong said: "If Vietnam wants foreign capital, it has to compete with other countries also trying to attract foreign funds. The opportunities worldwide are plentiful, the funds are short.

"Businessmen have to make quick decisions. Difficult approvals certainly will not help. I think they can do something about this."

He said that Vietnamese leaders did not underestimate their difficulties. They were acutely aware of the importance of normalisation of ties between the US and Vietnam.

There is now an American trade embargo on Vietnam and the free flow of funds from Japan is blocked.

Earlier, Mr. Wong was asked if Singapore would extend credits to finance trade with Vietnam. He said the Singapore Government did not have such a policy.

All trade in Singapore is financed through banks. Businessmen make their own decisions whether to extend credit to trading partners.

Singapore is Vietnam's largest trading partner, with total annual trade exceeding US$1 billion (S$1.62 billion). About 30 to 40 per cent of Vietnam's exports to the world now go through Singapore.

Hanoi Hilton To Make Way for Hotel, Offices

BK2610021892 Hanoi VNA in English 1336 GMT 24 Oct 92

[Text] Hanoi VNA Oct.24—A hotel service and supermarket complex named 'Hanoi Tower Centre' will start construction in the central sector of Hanoi early 1993.

It will be built on the site of the Hoa Lo Central Prison erected by the French nearly a century ago. The prison will be moved to a place outside the city.

Hanoi Tower Centre will comprise two 22-storeyed buildings covering 9,000 square metres. One is a five-star hotel with 188 rooms. The other will house offices of foreign companies and banks. The two buildings will cover 29,000 sqm. A four-storeyed house joining these two buildings will house the super-market and service centre together with a conference with a hall sitting capacity of 500-700. The underground garage will be able to park 250 cars. This is a joint venture between the Hanoi Civil Construction Company and Mrs. Goh Poh Joo, owner of 73-storeyed Hotel Night Review in Singapore. The joint venture company to be named Hanoi Tower Centre Company Ltd and Hasin International for short will cost 34 million US dollars and have a maturity period of 45 years including the construction time.

Hanoi will contribute 5.58 million US dollars. Hanoi Tower Centre is designed by the chief architect of Burton Engineering Pte in collaboration with his colleagues in Japan and Britain. Designing has been completed and the transfer of the Hoa Lo Prison will be completed this month so that construction can start in early 1993 as planned.

UN Envoy on Secretary General's Peace Program

BK2910064392 Hanoi VNA in English 0617 GMT 29 Oct 92

[Text] Hanoi VNA October 29—Ambassador Trinh Xuan Lang, head of the Vietnamese permanent mission at the United Nations, on October 27 commented on the UN secretary general's report on UN work and on his peace programme. Speaking at the plenary session of the UN General Assembly, when dealing with the peace programme of the UN secretary general, Ambassador Trinh Xuan Lang said :

"We are of the view that all decisions put forth after discussions on these documents must be based on strict respect for the principles of the UN charter and the recognised practices in the relations among countries, particularly the principles on national sovereignty, territorial integrity and non-interference into the internal affairs of nations. In any case, the concept about national sovereignty must not be allowed to dim. At the same time, the right to self-determination of all nations still under colonial or foreign occupation must be respected".

Vo Van Kiet Addresses New Government

Part One

BK2710141192 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 21 Oct 92

["Part one" of address by Prime Minister Vo Van Kiet at the first government meeting from 16-17 October—read by announcer]

[Text] 1. Defining the individual responsibilities of heads of administrative offices at all levels.

As mentioned in the program of action of the new government that I have already presented to the National Assembly, advantages and new opportunities lie ahead. Nonetheless, the situation is still rife with many difficulties. Much remains to be done to promote socioeconomic development and to strengthen security and national defense. In order to fulfill those tasks, the government must make great efforts in many domains, and most importantly must renovate the state administrative mechanism to make it truly pure, effective, and worthy of the people's trust.

It must be said that corruption is currently the biggest factor stalling implementation of those tasks. It is necessary to wipe out corruption and purify the state machinery in order to continue socioeconomic development, stir up the potentialities of all economic sectors, protect and stimulate the new factors in the country, and create a favorable environment for attracting investment from outside. That will also be an important measure in strengthening security and national defense.

I want to stress that a failure to purify the state administrative apparatus will make it impossible for the government to fulfill the duties entrusted by the National Assembly and people. Moreover, if corruption, smuggling, and wasteful spending continue to go unchecked, whatever our efforts, state property will continue to be missappropriated, good people and good deeds will be unable to make their presence felt, and public confidence will continue to decline.

a. The present situation calls for resolute, concerted efforts from higher up to the lower levels to clearly define the responsibilities of each collective, and most importantly the responsibilities of each individual, and work out an adequate reward and penalty system to direct the enforcement of anticorruption measures.

The heads of administrative offices at all levels are dutybound to push back and wipe out corruption, as well as purify their apparatuses to enhance the managerial effect of their offices. Ministers and heads of offices under the government must be made accountable for the discovery and handling of corruption cases in units in charge of administrative and nonproductive activities, as well as in business and production establishments under their management. Likewise, heads of departments, organs, or agencies at the same levels; general directors and directors of unions; and general corporations and state business corporations must be made accountable for cases of corruption and wasteful spending in units under their supervision.

As immediate objectives, agencies must base themselves on the Law on the Organization of the Government and the statute on government activities to carry out very satisfactorily the following two tasks:

First, continued efforts are needed to strengthen their apparatuses; to staff offices and units with competent, highly qualified persons to handle affairs under the new mechanism; and to eliminate bad elements, bearing in mind the need to purify their apparatuses and enhance their managerial effect.

Second, steps must be taken to increase control over ministerial organizations, units in charge of the administration of nonproductive activities, and production and business establishments. It is necessary to accelerate inspection and control over cadres and property. Severe measures must be taken against law violations.

It is necessary to bear in mind that no matter how perfect the management mechanism can be, bad elements still know how to take advantage of loopholes to serve their interests. Therefore, it is of utmost importance to tighten control and accelerate inspection work.

b. Ministries must strengthen inspection agencies and appoint dependable persons to assist the ministers in dealing with corruption.

It is necessary to set inspection cadre selection criteria and link ministerial-level inspection activities with state-level inspection work, bearing in mind the need to strictly comply with the system under which chief inspectors of a ministry must be selected by the minister in charge and the general state inspector and must also be appointed by the prime minister.

Depending on his/her powers, each minister must promptly discover corruption cases and take immediate administrative measures against them. We cannot say that nothing can be done about this situation because it is a natural product of the existing mechanism. If a minister finds that certain cases are so serious that they go beyond his/her powers, he/she must promptly forward them to the responsible agencies, which in turn will initiate legal proceedings concerning them. Therefore, ministers and heads of offices under the government will have to continue to take the most severe measures against the remaining corruption cases, take measures to prevent new ones, and if corruption does occur the implicated persons must be punished duly and uncompromisingly in a timely manner.

We must strive to overcome the practice of protectionism, considering this an act supporting corruption and that must be seriously dealt with. We must also strive to stop agencies concerned from taking only administrative action in cases that in fact should be brought before the law.

It is necessary to point out here that ministries should seriously and openly deal with cadres involved in corruption cases regardless of their positions. This is the correct way to manifest our high sense of responsibility toward the party, state, and people to enhance the people's confidence in our system. The people now are able to realize good deeds and mistakes committed by each ministry. Reality shows that efforts to resolve issues in an indulgent, restrained, lenient, and unfair manner will diminish the prestige of leadership in each ministry.

The government will request people's committees and chairmen at various echelons to carry out this task in the same way as other ministries and agencies, as mentioned above. People's committee chairmen must take responsibility for the existence of such social vices as corruption, smuggling, prostitution, gambling, and drug addiction and so forth in their localities, especially at units under their jurisdiction. In formulating programs of action, people's committees at various echelons must include this responsibility in their programs.

I would like to stress here that while we are taking measures to deal with corruption at each agency of the state administrative apparatus, we must strive to carry out another very pressing task—that is, immediately stopping wastefulness in state spending, especially at various receptions, feasts, and banquets as well as in exchanging gifts. This task is aimed not only at restoring our good ethics but also at eliminating corrruption and smuggling. As a result, we must strictly practice thrift to save the state budget so as to accumulate capital for fulfilling urgent requirements of socioeconomic development.

I propose that from now on we not use beer, liquor, and cigarettes to entertain guests at all meetings and receptions organized by administrative agencies and state-run establishments. All conferences to review and appraise tasks and all celebrations to mark major anniversaries must be organized in a truly economical fashion. Festivities, if warranted, must be held in a moderate manner.

These are only some suggestions. The government will issue regulations guiding the implementation and spending of the state budget at various agencies and state-run establishments. I think that if all state agencies implement this policy, they will undoubtedly receive a warm welcome from the people at large. I also propose that all mass organizations and societies support and implement this policy.

2. Further perfecting various government law enforcement agencies attached to the Inspection Agency, the Ministry of Interior, and the Ministry of Justice.

As mentioned above, all ministers must fully carry out their functions and duties. They must integrate efforts to purify their management mechanism and cadres and should not defer their duties to other persons. Moreover, in addition to their own duties, they must help to perfect government law enforcement agencies in helping these agencies effectively carry out tasks.

a. Organizations attached to the Inspection Agency, the Ministry of Interior, and the Ministry of Justice must immediately take measures to purify their mechanism, remove from their organizations those who are unqualified or incompetent, recruit more competent cadres with good conduct, and appoint teams especially responsible for corruption cases.

b. Efforts must be made to promote close coordination and cooperation between the Inspection Agency, the Ministry of Interior, the Ministry of Justice and other ministries and government agencies. Efforts must also be made to help these agencies purify their internal organizations.

c. For law enforcement agencies belonging to the National Assembly, the Organ of Control, and the People's Court, efforts must also be made to promote close coordination between these agencies and various government organizations. We must admit that for quite a long time coordination among law enforcement agencies was carried out very loosely—thereby causing difficulties to the work of monitoring, investigating, and trying various cases. Most importantly, each agency must strive to satisfactorily perform its functions and duties in the spirit of creating favorable conditions for other agencies to carry out their tasks. I propose that all agencies, for the sake of the common interest in the struggle against corruption, strive to strengthen their coordination and quickly concretize measures to promote this coordination to ensure the splendid success of this struggle.

Part Two

BK2810132592 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 21 Oct 92

["Last part" of address by Prime Minister Vo Van Kiet at the first government meeting from 16-17 October—read by announcer]

[Text] 3. Completing and supplementing the legal system and bringing to trial serious corruption and smuggling cases.

We know that the deep-rooted causes of corruption, smuggling, and other evils rest with the management mechanism. Therefore, in order to prevent and seriously deal with corruption, smuggling, and other evils, we must continue to complete and supplement the legal system of the new mechanism, especially with regard to the administrative law, the public service statute, and the statute on civil servants. Furthermore, we must clearly define the functions and duties of each agency and each civil servant, as well as the relations among state agencies and those between civil servants and citizens.

a. As regards the legal system of the new mechanism, we must continue to supplement and complete it so as to keep production and business operations within the bounds of law. Over the past several years, we have worked hard toward that direction, formulating a series of legal documents to meet the requirements of the new mechanism. Obviously, this is not enough. Much time is needed to supplement and complete this task. Nonetheless, even the existing laws have not yet been strictly observed. Therefore, along with law enforcement measures, urgent steps must be taken to supplement and gradually complete the legal system, especially with regard to the trade law, the land law, the administrative law, the public service statute, the statute on civil servants, and so forth.

b. As regards the penal code, we must review and make prompt amendments, if necessary, to the provisions regarding such crimes as embezzlement, bribery, abuse of power, deliberate malpractices with serious consequences, and so forth, in order to provide a basis for severe punishments. It is necessary to put an immediate end to some current, very abnormal phenomenon—such as a great gap between the number of cases discovered and the number of cases actually tried, the prevalent practice of internal settlement, a low ratio between the number of cases tried and the number of cases prosecuted, the application of very light sentences, a considerable number of suspended sentences, a failure to execute court rulings, and so forth. All these incidents have lessened the prestige of law enforcement agencies and have caused legitimate indignation among people of all walks of life.

It is of primary importance to amend or supplement the provisions of the penal code to make them consistent with the new requirements. For example, we can amend or supplement the provisions concerning the definition of offences, types of punishments, actions against economic violations, and so forth. Under Article 229 of the penal code, a serious case involving giving or accepting bribes or acting as intermediaries in giving or accepting bribes could be subjected to a fine five times more than the value of the bribe. The article also specifies that a more serious case could cause the implicated person to have part or the whole of his/her property confiscated. Court sentences, however, have remained too light so far. Maximum sentences have rarely been imposed. As a result, the effect of the court system has remained very low.

At the same time, the Ministry of Justice must make research at an early date and provide the government with the draft law on ways to deal with corruption for submission to the National Assembly to serve the purposes of supplementing the penal code and of setting up special tribunals under Article 127 of the 1992 Constitution to try serious corruption and smuggling cases.

Some people maintain that special tribunals should be set up to deal with special circumstances only and that given the current situation, they are not needed. I believe that, as people have put it, corruption and smuggling have now reached a very serious proportion and have developed into a national plague and an internal disease. Given the current special situation, it is but necessary and useful to set up special tribunals. I am positive that the majority of our people of all walks of life will support such a move.

Working places, facilities, and reward policies for law enforcement agencies at all levels must be further improved. The attire of legal cadres during court proceedings also needs to be considered in order to increase law protection responsibility and guard the respectability of the courts.

4. Guidance for work implementation:

a. The main problem at the moment is the loose cooperation and coordination among law enforcement agencies. Disagreements on legal proceedings, criminal charges, and sentences are occurring in many cases, causing delay in the legal process. Therefore, supervisory bodies consisting of chiefs of legal, investigation, interior, control, and court offices should be formed with the participation of heads of interior and control sections in local party committees. These bodies should hold regular consultations, with assistance from legal experts.

b. The government's fight against corruption, smuggling, and lavish expenditure in state administration organs will surely gain support from all strata of the public because it brings direct practical benefits for each person as well as national development. I suggest that the Vietnam Fatherland Front, mass organizations, and social agencies motivate all the public to participate in the struggle by reporting corruption, smuggling, and lavish expenditure cases and by discovering efforts to cover up these cases at all levels. They should expose bad elements and support honest and legitimate businessmen and active public campaigners against bad people. We should not let the bad people develop into groups, wrongly accuse other people, and cause an admixture of bad and good people.

c. The role of mass media agencies should be further developed in discovering and reporting on corruption, smuggling, and other evils. Recently, the NHAN DAN newspaper and television stations have been carrying news, articles, and reports on these cases. I suggest they continue to do so with more details and speed. They should focus on criticizing bad examples and highlighting good ones. Of course, their reports must be correct. If they wrongly report a case, they must correct it, or bear legal responsibility.

The Government Office has the duty to continue its liaison work with mass media agencies in order to brief them on government's policies and measures in socioeconomic management as well as in the fighting against corruption, smuggling, and other evils.

I have mentioned some opinions on the government's responsibility in the fight against corruption, smuggling, and other social vices. The fight is an urgent task that the government and each cabinet member must concentrate on because it is one of the measures to purify the state administration mechanism and guarantee a successful implementation of all other duties.

With the aforementioned outline, the Ministry of Justice will make practical plans. I will ask the party Political Bureau for an early application of the plans, which are of great significance.

Vo Van Kiet Receives Freedom Forum Delegation

BK2810062992 Hanoi VNA in English 0544 GMT 28 Oct 92

[Text] Hanoi VNA Oct. 28—A delegation of the Freedom Forum, the largest information-oriented foundation in the United States, is visiting Vietnam.

The delegation led by Mr. Overby was received by Prime Minister Vo Van Kiet on Tuesday before it left for Ho Chi Minh City in the afternoon.

Mr. Overby said the Freedom Forum was looking forward to possibilities of some exchange programme for reporters and photographers as well as leading editors of the two countries to come together and talk about matters of mutual interest.

Decision Issued on War Invalids-Run Businesses

BK2810152392 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 23 Oct 92

[Text] Based on the law on government organization dated 30 September 1992 and on the policies and orientations for solving unemployment during the years to come, and at the recommendation of the minister of labor, war invalids, and social welfare, the prime minister recently issued the following decision on policy toward those production and business establishments operated by disabled and sick soldiers and the handicapped:

Article 1: Those production and business establishments set up by disabled and sick soldiers and the handicapped to improve their well-being and rehabilitate their overall health in accordance with the law now in force will be assisted and promoted by the state.

Article 2: Those production and business establishments operated by disabled and sick soldiers and the handicapped mentioned in this decision should be directly managed by disabled and sick soldiers and the handicapped concerned. Such an establishment should have at least 51 percent of its personnel comprising disabled, sick soldiers, and the handicapped. The remainder should be made up chiefly of the wives or children of these people, the relatives of fallen heroes, discharged soldiers, or those who are shareholders.

Article 3: The capital of those production and business establishments operated by disabled and sick soldiers and the handicapped should be derived from the following legal sources:

— contributions made by personnel.

— aid provided by the state and derived from the state fund to solve unemployment through the granting of low-interest loans.

— money donated by charitable organizations and kind-hearted people at home and abroad.

— shares contributed by the people of various strata or by socioeconomic units.

— loans provided by the state or other social organizations should be regarded as collective assets. They should be used only for the purpose of broadening production and business and creating employment for the collective and should not be distributed to any personnel when they leave their production or business establishments.

Article 4: Production and business establishments operated by disabled and sick soldiers and the handicapped are responsible for carrying out various financial obligations as stipulated by law, as is the case with other production and business establishments, and they will receive the following preferential treatment by the state:

—To receive a rebate of 100 percent of the total amount of their income tax contributed.

—To receive a rebate of 50 percent of the total amount of their business and special consumption taxes contributed.

—These amounts of tax rebates should be regarded as part of the fund provided by the state and should be included in the assets of the establishments concerned in accordance with stipulations on financial allocation and control now in force.

Article 5: Disabled and sick soldiers, the handicapped, and other people working at those economic establishments operated by disabled and sick soldiers and the handicapped will be exempted from tuition payment if they undergo professional or additional training at those vocational schools or centers run by the state and will be considered for scholarships as stipulated by the state.

Article 6: Relevant ministries, sectors, and localities are responsible for creating favorable conditions for these production and business establishments operated by disabled and sick soldiers and the handicapped to recruit their personnel for their operations and to find locations for their headquarters; for assigning these establishments with the manufacture of those goods suitable to the health conditions of their personnel; for making technological investements in these establishments; and for providing them with other preferential treatments within the framework of those laws and policies now in force.

Article 7: The Ministry of Labor, War Invalids, and Social Welfare, together with the Ministry of Finance, the State Planning Commission, and the State Bank, are responsible for making budget estimates and planning the use of funds with low-interest credit loans. Such plans should be submitted to the prime minister for approval and guidance.

Article 8: This decision will come into force beginning the day of signature. All those previous stipulations at variance with this decision will hereby be rescinded.

Article 9: Ministers, heads of ministerial-level agencies and other agencies under the direct jurisdiction of the government, and chairmen of the people's committees of those provinces and cities under the central authority are responsible for implementing this decision.

New Zealand

Visa-Free Entry to Australia To End

BK2510010292 Hong Kong AFP in English 2227 GMT 24 Oct 92

[Text] Auckland, Oct 25 [date as received] (AFP)—Over a century of easy access into Australia for New Zealanders is likely to end before the end of the year when visas will become required, the Sunday STAR newspaper reported.

The newspaper quoted an Australian official as saying the new measures, part of an amendment to the Migration Act, were not specifically aimed at New Zealanders.

In 1991 a total of 769,106 New Zealanders went to Australia, around half of them planning to be there for a year or more. More people came from Australia: 853,725 in the same year.

Australians entering New Zealand do not require visas, although 59 percent of those who came in 1991 arrived with temporary ones. Until the mid-1970s it was possible for citizens of Australia and New Zealand to travel between countries without a passport.

The new measure appears also to run counter to closer economic relations between the two countries, which have created a free trade zone.

New Zealand Immigration Minister Bill Birch told the STAR that New Zealanders will have to answer questions about criminal convictions and communicable diseases, including AIDS, before being granted a visa.

Australian Immigration Branch head of entry control, Emil Joseph, told the STAR the measures were not aimed at New Zealand.

He said Australian officials were hoping to maintain "a very smooth working relationship with the New Zealand Government" over the reforms.

Papua New Guinea

PM Says Government Troops Control Bougainville

LD2910093192 Wellington Radio New Zealand International in English 0800 GMT 29 Oct 92

[Text] Papua New Guinea's Prime Minister Paias Wingti says his government troops are now in control of Bougainville. Mr. Wingti says Papua New Guinea forces have taken the secessionist's last stronghold, the provincial capital, Arawa. He says government authority is now established in Central Bougainville, and he will visit the island next month to ask the secessionists to surrender.

Papua New Guinea's state-owned radio earlier this week announced that Arawa had been taken, but this was subsequently denied by the secessionist spokesman in neighboring Solomon Islands.

For security reasons no date has been given for Mr. Wingti's visit to Bougainville, but a government spokesman says it's most likely to take place in the first two weeks of November. He says the visit will probably last two days and will cover the entire island.

The spokesman says Papua New Guinea forces now control 90 percent of the island, but troops in and around Arawa are still coming under sniper fire. He says troops are testing the water in Arawa after reports that the secessionists had poisoned supplies.

Vanuatu

Ex-President Elected Head of Pacific Commission

BK2910114092 Hong Kong AFP in English 0524 GMT 28 Oct 92

[Text] Suva, Oct 28 (AFP)—George Sokomanu, former president of Vanuatu, was elected secretary-general of the South Pacific Commission on the second day of the group's 32nd ministerial conference here Wednesday.

Sokomanu, president when Vanuatu gained independence from joint Franco-British rule in 1979 until he was removed and accused of sedition in 1989, was elected for a three-year term despite the opposition of some donors to the commission such as Australia and reluctance from New Zealand and Britain.

The donor nations, worried by the group's persistant deficits, wanted a good financial manager elected to the post rather than a politician like Sokomanu, who was the sole candidate after Fiji's Jioji Kotobalavu withdrew to take a job as a top aide to Prime Minister Sitiveni Rabuka.

Sokomanu was sentenced to six years in jail in Vanuatu in March 1989 for mutiny and sedition after his nephew Barak Sope tried to overthrow the government of Prime Minister Walter Lini.

The former president's offence was that he dissolved parliament, swore in a five-man government under Sope and told the 550-man Vanuatu mobile force that he would call in foreign forces unless they supported the new government.

Sope was sentenced to five years, as was Maxime Carlot, the current prime minister. Another MP, Willy Jimmy, got two years and three others were acquitted.

The sentences were quashed on appeal on April 14, 1989, and the four jailed politicians were freed. Sokomanu was replaced as head of state by Fred Timakata.

The conference here has been dominated so far by discussions of how to improve the management and finances of the commission, which is based in New Caledonia and groups 27 nations and territories in the South Pacific.

The group provides technical assistance in such areas as education, health and fisheries to some 22 tiny island nations whose total population of five million is spread over some 30 million square kilometres.

On Thursday, the last day of the conference, delegates are to visit exhibitions on the cultures of the region.

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On the other hand, we have to pay attention to the violent changes—democratization and the shifting to the market economy—that are taking place throughout the world, creating a very strong demand for funds. Japan has to meet the demand for funds and, at the same time, is responsible for promoting the restructuring of industries. We need to properly operate the economy, taking such factors into consideration. I want to carry out flexible policies firmly based on the fundamentals of operation of the economy.

[BUNGEI SHUNJU] When tax revenue is in deficit, people first become concerned about "what has become of political reform and administrative reform?" and "is not the number of the government officials too many?"

[Hata] I was personally taking part in the political reform until last year. I feel keenly that the debate at the national Diet should be carried out in such a way as to make the people listening to the debate feel that "the debate at the national Diet is very convincing." In order to recover the vitality of Japan as a state, we must carry out political reform at all costs. It will never do to simply talk about political funds and political morality. It is really a problem if the national Diet remains unable to promptly cope with the situation when the world is changing so violently. The national Diet should be the Diet which can convince—through the discussion of the Diet members—the people to follow its directions. Then, for the first time, Japan will be born as a dynamic state.

People will not be convinced if the politicians take the attitude that it is not easy to reform themselves. People will be convinced only if the politicians exert serious efforts for national Diet reform and political reform. The national Diet, as it is today, cannot convince the people. That is why the people do not readily respond to the new government policies. After all, we must reform the politics so that the people will respond to the government policies with trust.

Industry Reduces Planned Capital Investment

New Projects Delayed

922A0373A Tokyo NIHON KEIZAI SHIMBUN in Japanese 19 Aug 92 p 10—FOR OFFICIAL USE ONLY

[Article by correspondent Fukumoto: "The Two Faces of Depressed Corporate Performance"; first in a series of three articles under the heading "Withering Capital Investment"]

[Text] Industry's capital investment has stalled. In particular, planned capital investment in the manufacturing sector for 1992 is down 13.6 percent from the previous year, as reported by the NIHON KEIZAI SHIMBUN. Even though managers continue to understand the necessity of investment, in a situation where corporate performance has deteriorated and the price of stock has dropped because of the recession, managers tend to place higher priority on a restoration of profits over capital investment. Many companies are saying that they are in the process of revising their 1992 investment plan, and it is anticipated that there will be companies which will further reduce their planned investment or delay its implementation. We looked into future investment trends to see if we could find an indication of a restoration of capital investment.

The Gap in Supply and Demand

We asked top executives in 20 representative firms in the manufacturing sector their opinions on investment. The following represents the majority of responses.

—The official interest rate has been lowered for the fifth time. But will even that spur capital investment? "The reduction in interest rates will be a plus for business operations, but it will not be a factor in capital investment."

—It is said that inventory adjustments have been delayed. If these adjustments are completed by fall or by the end of the year, will that get investment moving? "That is difficult. There is still a large gap between supply and demand."

—In that case, just when will investment levels be restored? "Restoration of investment levels will occur after there is improvement in the overall business climate in general and when business performance clearly improves."

Of the 20 firms, 10 had already placed restrictions investment. A majority of the managers have decided that "capital investment will be difficult for the time being." Only three companies, Toyota Motor, NEC, and Kirin Breweries, replied that "we would like to increase investment once the situation improves."

Since early spring the prospects have completely changed. In the beginning of the year, there was the optimistic view, not only among Bank of Japan sources, but throughout industry in general, that the recession was caused mostly by psychological reasons, and that fears of further decline in interest rates had been extinguished. Furthermore, capital investment would pick up if companies believed that they could see the bottom of the slide. However, even now when the official rate has been cut to 3.25 percent, there is absolutely no sign of a stimulation of capital investment within industry, even though its members chorused over and over again for a reduction of the interest rates.

"There has been a decrease in the interest burden, but it doesn't seem that this will be tied to a more positive capital investment trend" (Vice Chairman Sugiyama of Sumitomo Financial Industries). There are even those of the opinion that, "if the government depends only on economic policy and the official rate drops to the 2-percent level, it will still be problematic whether this will spur capital investment" (a person in charge of a major electronics maker).

The completion of reduction of inventory is not a good indicator of pending activity in capital investment. Even if excess stock is removed from inventory, the gap between supply and demand will not be easy to reconcile, as a result of investment to strengthen production capability in recent years. As for the petrochemical industry, which has excessive facilities, Shogo Takebayashi, president of Mitsui Petrochemical Industries, stated that "The production capability of our existing facilities is sufficient to last us through 1995." The situation is the same in the semiconductor industry as well. While investment in the development of the next generation of products is being maintained, investment in increasing production of the current line of products is being viewed with prudence.

Reductions in Profits for This Three-Month Period Are Unavoidable as Well

One fact that stands out in the NIHON KEIZAI SHIMBUN survey is that capital investment for 1992 will decrease more than 10 percent from 1991 levels. The primary reason for this is a decline in corporate performance. It is strange to see as close a connection between corporate performance and capital investment as we have this time.

The corporate performance for the 1992 quarter beginning in March has been completed and the results show a reduction in profits. Investment is being restricted in light of this performance. The exception to this is the steel sector, in which the reduction in investment has yet to come to the surface because of follow-on construction work on projects that had already been started. On the other hand, there are a few sectors in which capital investment is growing, these are shipbuilding and foodstuffs. The background for this fact is that these sectors have shown an increase in profits. As for 1993's March quarter as well, it is forecast that, looking across the board, profits will continue to decline. Therefore, hopes are slim for a speedy recovery in capital investment.

There are those who say that "there is no one who likes increasing their market share and capital investment as much as Japanese managers," and, before this downturn in the economy was seen, Japanese firms moved resolutely towards capital investment. Investment was driven by the fear that, if the timing of investment were delayed, one's rivals would have an advantage after the recovery. However, currently many chairmen are exposed to severe pressure after assuming office. "There is the feeling that the grades on the chief executive's report cards are continuing to drop," as business performance is rapidly deteriorating and the value of the company's stock is sharply falling.

Companies that once invested readily without much though for stockholders have suddenly become timid. Japanese managers are becoming more and more like American corporate managers, who "have to consider to stockholders and emphasize only quarterly corporate performance, and therefore cannot invest freely." It seems like the change in the frame of mind of corporate management will probably delay the timing of the recovery of capital investment.

New Projects To Be Delayed

"Capital investment is something that should be carried out continuously based on long-term planning. If you increase or decrease the investment amount because of changes in the economic situation, the impact of that will come back to affect you without fail" (Asahi Chemical Industry chairman, Reiichi Yumikura). The number of firms that have not reduced their investments from the figures originally planned are in the minority.

All of the major home electronics makers are acting to revise their capital investment plans. For example, Sharp delayed the commencement of installation of a dedicated liquid crystal display line for its Sanjuu factory from July of this year until after next year.

In this way, industry is delaying the implementation of new projects as much as they can, and the number of companies who would further delay these projects if performance does not improve is growing. Next year, as we look back at 1992's capital investment totals, we may very well see that actual investment did not meet the investment plans, which had themselves been revised downward.

Interest High in Automation

922A0373B Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Aug 92 p 11—FOR OFFICIAL USE ONLY

[Article by correspondent Ota: "Interest in Automated Facilities"; second in a series of three articles on "Withering Capital Investment"]

[Text] **Changes in Labor-Reducing Equipment Demand**

Customer attendance at product exhibitions has become a hot topic in the factory automation [FA] industry. Starting in the spring going through the summer of this year, machinery manufactures have held exhibitions of their products in an attempt to spur capital investment, and despite the fact that there is a recession, the number of corporate purchasing officials attending these exhibitions has clearly exceeded expectations.

Exhibitions Are Booming, But...

In one corner of the exhibition hall Tsugami was announcing the introduction of several new products, including the flexible manufacturing system (FMS); representatives from 600 firms were in attendance. Elsewhere, 2,500 people were in attendance at Fanuc's 20th anniversary exhibition. Amada is showing better attendance at its monthly exhibitions than they did last year.

However, even though there is a lot of business talk, this is not leading to orders being placed. A large drop in sales was recorded in June as orders for industrial machinery

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were down 35 percent from the same month last year. The FA makers feel like they have been "enchanted by the fairies" (Mitsubishi Heavy Industries) as they watch large groups of customers appear at their exhibitions and then disappear.

In interviews carried out by NIHON KEIZAI SHIMBUN with executives of 20 leading manufacturing firms we asked, "What would you invest in if conditions permitted?" To which 17 answered that they would invest in labor- and personnel-reducing equipment. This was followed by investment in distribution rationalization and environmental protection.

"If we consider the labor supply and demand balance through the 21st century and the fact that young people are separating themselves from manufacturing jobs, then we must continue labor-reducing measures, no matter how painful they are" (Toyota Motors Managing Director Okuda). The reduction of labor hours is a road that Japanese industry cannot avoid. Contrary to the fact that capital investment is falling, in actuality, interest is increasing in production and distribution-related automated systems to reduce labor.

The Japan Development Bank [JDB] issued only 10 billion yen in low-interest loans under a system to provide financing for labor-reducing investment during the period May through July of this year. This figure was far short of the 50 billion yen that they wanted to lend. An example of this investment is the 3 billion yen worth of distribution rationalization systems installed by NKK at their Fukuyama and Kyohama steel mills. This alone, however, comprised one-third of the total. In fact, it is said that JDB requested that NKK borrow this money, and we can see indications of the efforts made by MITI and JDB as they worked to bring up the performance of this system, which was under the good offices of Prime Minister Miyazawa.

Without Actualizing Latent Demand

Industry is not moving forward towards investment to reduce labor by themselves. Latent demand for labor-reducing equipment in fact exists, but it is not being actualized. The crowds of representatives attending FA exhibitions and the underutilization of the JDB financing system hint at subtle differences between the equipment, machinery, capability, and price offered by the industrial machinery and robot makers and the conditions demanded by their customers.

If this mismatch is not rectified, then governmental action, such as tax reductions for capital investment, will probably not bring about the desired effect of expanding investment.

The large distribution machinery maker Daifuku recently delivered a "bench" to a wholesaler's distribution center. This was a simple piece of equipment that had the ability to display computer instructions on a screen.

At this distribution center until now, one full-time employee could sort 60 boxes per hour for shipping. Given that employee's hourly wage of 2,400 yen per hour, that made the cost of distribution per box 40 yen. After this new piece of equipment was installed, a part-time employee, with an hourly wage of 800 yen per hour, could sort 200 boxes per hour; allowing a reduction in cost per box to 4 yen.

The cost of the bench was less than 50 million yen, but the effect of the investment was conspicuous. "The essence of the cost was the time that it took for people to walk around looking for boxes. In order to reduce labor costs, it is not absolutely necessary to have high-level machinery" (Daifuku's Managing Director Onishi).

Even the machinery that was purchased associated with the equipment and information processing needed for production expansion, which supported the capital investment boom which continued through last year, is being advertised for its labor cost-saving ability. However there is a difference in character between the labor-reducing machines that we have seen up until now, which have allowed companies to expand production without increasing the workforce, and those which we are beginning to see, which will, based on current demand, allow companies to maintain current production levels while reducing personnel.

Respond to User Demand

Fanuc's Chairman Inaba said that "our research institute suddenly became busy this year." This is because, in order to respond to the demand for the new labor-reducing equipment, the development of long-term, stable machinery that does not require a human operator and is capable of sustained operation, as well as low-cost robots, has become a topic of concern. Orders began to be received as soon as the new generation of robots, which cost 40 percent less then their predecessors, came onto the market last month.

The Makino Milling Machine Co. developed a machine which can use precision manufacturing to make metal forms for large plastic products. This is in response to a request from automakers who are aiming at reducing the number of plastic parts they require by increasing the part's size and complexity. Furthermore, as an environmental measure, they are beginning to develop machines which can process recycled parts and materials.

Hirano, the head of the Bank of Japan's Economic Monitoring Section has analyzed the situation and believes that "The operational side of business, which wants to reduce labor costs, and the accounting side, which does not want to take on any more debt, are in conflict, and investment has temporarily been suspended." In the silence that surrounds machinery makers and users, and production specialists and financial specialists as they stare at each other, can we hear the fetal stirrings of a new FA technology, which will be completely different from the technology of the production expansion era?

'Selective Investment' Necessary

922A0373C Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Aug 92 p 11—FOR OFFICIAL USE ONLY

[Article by journalist Hirano: "Giving Forethought to Demand/Capital"; last of three articles on "Withering Capital Investment"]

[Text] **From Adaptive to Selective**

"The reduction in capital investment will probably become good news for the market" (Hayano, member of the board of directors of the Nomura General Research Institute). The reduction in capital investment is proof of the recession, but if the same numbers are taken as a signal that business has placed a higher priority on profit, this could hint at improvement in the stock market. Those in the securities market are hoping for that.

Without Good Feelings in the Stock Market

Capital investment grew at a high pace of 20-percent increase per year after 1988 in anticipation of improving business conditions. In the midst of all this surplus production capability, demand dropped and operational utilization fell rapidly. Therefore, given the current state of things, facility expansion, which places a burden on profits, can be called nothing but a minus for business operations.

In the latest NIHON KEIZAI SHIMBUN survey, it was revealed that planned capital investment in production infrastructure for this year is down 13.6 percent from the previous year. This is the largest drop for a one-year period ever recorded. However, if one looks at stock prices, the stock market has yet to reach the point of interpreting this as "good news." This is because managerial investment style has yet to convert over to the philosophy of "prioritizing profits."

Take the auto sector for example. Their investment plan for the year is down 14.7 percent. That figure represents a decrease of 3.7 percent from the original estimate. Just looking at the numbers, and this appears to be a significant drop. But just what is the real situation?

It seems that Nissan has reduced its original investment plan from 240 billion yen (down 11 percent from the previous year) to 200 billion yen (down 26 percent), but "nothing major is going to be cut" (Managing Director Takagi). We are not getting rid of investment in new vehicles, model changes, or in environmental or safety measures. "We are just reducing investment a little from things like production rationalization and in labor-reducing measures" (same source).

Further, in the home electronics sector, which has begun undertaking revision of their investment plan, there is the strong impression that, rather than boldly selecting which new projects to move forward with, they have just pushed all of the matters back some. The head of the forestry, communications, and roads industries inspectorate section of the Industrial Bank of Japan indicated that "most business has put the brakes on investment now that the future in uncertain. They are just watching to see how things go."

However, given the current state of operating conditions, which have undergone great change, there is nothing to be done but endure investment restrictions, such as "each division have a uniform minus ceiling" and "delays in implementation of new plans." It is probably a necessity to "invest selectively," that is, to completely stop investment in unprofitable areas and to invest in the important aspects of profitable areas.

The petrochemical industry, which has excess production capacity, began to cut back on investment in a major way starting in 1991. However, regarding activity to reduce the gap in supply and demand for ethylene, "We are at the stage where we are planning to begin reducing production in August. However, there has yet to be any discussion of not using the older facilities" (Executive Director Takano of Mitsubishi Chemical Industries).

Moreover, the petroleum industry, which has stopped using facilities based on administrative guidance from the government, knows that restructuring at the very top is not a common practice internationally. However, "the situation is that industry will not move on its own, as it cannot get rid of its desire to keep pace" (same source).

Industrial Reorganization Trigger

If they don't get over being spellbound by keeping pace, the thing that will probably be kept waiting will be industrial reorganization. Previously, excess industrial production capacity has been a trigger, and in the paper and pulp sector, it was decided that a joint venture should be formed between Sanyo Kokusaku Pulp and Jujo Paper.

In the same way, the semiconductor industry, which is being confronted by surplus production capacity, is only taking a prudent position regarding investment in expansion of production facilities for existing products, but all five of the major makers are in step regarding investing into research and development facilities for next-generation products such as the 614-megabit [M] DRAM [dynamic random-access memory] chip.

Regarding the development and production of memory chips, based on the decision that the very detailed production technology is the driving engine of the semiconductor industry in general, all of the companies are continuing to invest in order to keep pace. The result of this is that the industry will continue to have surplus production capability.

On the other hand, we have begun to see a change in the situation. Recognition is spreading throughout the industry that "we must now reevaluate whether memory development can continue to be a technology driver and whether or not it will bring about profits in the future" (Fujitsu President Sekizawa).

Regarding semiconductor investment, there is the example of the 20 billion yen invested for a research facility to study the 256M DRAM chip, and the 100 billion yen invested to mass produce the 64M DRAM chip. It is said that recent trends for international cooperation in the research and development of the next generation of products, for example cooperation between Toshiba and IBM as well as between Fujitsu and AMD (Advanced Micro Device), are efforts to reduce the risk and to share the burden of such a tremendous amount of research and development investment. Likewise, efforts to standardize the supply of parts throughout the auto industry also appear to be an effort to somehow avoid duplication of investment.

Considering Business Risk

Through the first half of the 1980's, Japanese industry rushed ahead with capital investment for production expansion aimed at competition in the export market. With the recession caused by the high value of the yen, for a time it was asked if it the end of the policy of "the importance of the market share," but, with the subsequent expansion of domestic demand, industry again began to invest actively in expanding production. Regarding the provision of funds for investment, with the main bank system and with equity finance, which provided for the finds for financing with the issuing of new stock, investment went ahead without consideration of investment risk.

Of course, rushing forward to expand production while considering exports to be the "way out," as well as setting aside low profitability and taking the funds for investment from the stock market are unacceptable. The era when capital investment could be pursued with no thought being given to risk has ended. It seems that we can say that the time has come when industry must change to a system where it considers both market risk and the provision of capital and take the responsibility for "selective investment" itself.

Imports of Thai Rice Products Increasing

OW2610085492 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Oct 92 Morning Edition p 7—FOR OFFICIAL USE ONLY

[By reporter Takeoka]

[Text] Bangkok, 25 October—Thailand is fast increasing its exports of rice products made of rice flour, sugar and other ingredients to Japan. Exports from January to August of this year were recorded at 17,927 tons, already topping exports of these kinds of products for 1991. If this pace is maintained, total exports for this year will run to around 27,000 tons, surpassing last year's exports by almost 80 percent.

The Food Agency of Japan earlier this month approved imports of frozen sushi, which comes under the category of rice-fish prepared products. What all these things mean is that rice imports which do not violate the Food Control Act are steadily growing.

The products which Thailand exports to Japan are primarily glutinous rice products which are used as raw material for rice candies like arare [rice cake cubes] and senbei [rice crackers]. About 70 percent of rice-prepared products imported by Japan come from Thailand.

A sudden surge in exports started around February of this year. With the rice harvest for 1991 having dropped to an index of 95 (against 100 for a normal year's harvest) and with many rice farmers having chosen to grow independently-marketable rice, Japanese food processors faced shortages and had to begin increasing imports from Thailand. Japan-produced glutinous rice is sold for about 500 yen per kilogram, but the average price of Thai rice preparations comes to only 77 yen per kilogram.

The "initiators" for increased exports so far have been Japanese businesses, but there are now signs that Thailand will initiate an offensive on the domestic market from its side as well. The Thai Ministry of Commerce is now studying ways to promote exports, for instance providing special allowances to exporters who have succeeded in developing new rice export markets. The current high value of the yen apparently will work to help such a move.

Cambodia

Reports on Tripartite Talks With Japan, Thailand

To Negotiate With Pol Pot Faction

OW2510063692 Tokyo ASAHI SHIMBUN in Japanese 20 Oct 92 Morning Edition p 3—FOR OFFICIAL USE ONLY

[By reporter Shuhei Hayashi]

[Text] Bangkok, 19 October—On 22 October the Governments of Japan and Thailand will hold tripartite talks with the Pol Pot faction in order to persuade the faction—which has refused to disarm and demobilize itself during the process of restoring peace to Cambodia. The Governments of Japan and Thailand will make a mediatory proposal on 22 October to the Pol Pot faction and on 29 October the tripartite talks will be held to receive a final reply from the faction. While the UN Security Council has set 15 November as a deadline for persuading the faction, there are no moves to persuade the faction based on concrete proposals. As a result, the tripartite talks will be a last attempt to persuade the faction.

According to a revelation by Charan Kunrawanitto [name as published], secretary general of the National

Security Council of Thailand to an ASAHI SHIMBUN reporter on 19 October, Bangkok is cited as a potential site for the tripartite talks. According to the Thai Foreign Ministry, the tripartite talks may be held in Phnom Penh.

Japan and Thailand have worked out a mediatory proposal, while seeking an agreement between the UN Transitional Authority in Cambodia (UNTAC) and the four rival factions, based on their August proposal for the establishment of an Administrative Consultative Body (ACB) aimed at strengthening the function of the Supreme National Council (SNC) and the Pol Pot faction's proposal for the establishment of a Consultative Committee [CC].

The Phnom Penh government has been taking a negative stance toward the establishment of the ACB. At a meeting with Thai Foreign Minister Prasong in Bangkok on 13 October, Cambodian National Assembly Chairman Chea Sim said that "we are willing to consider the proposal," however. Thus, the chairman suggested that the the Phnom Penh government is ready to make a compromise on the proposal.

The Pol Pot faction has insisted that the ACB, which is to be made up of four factions and the UNTAC, should be set up in six major ministries, including defense and finance for each faction. The Phnom Penh government and the United Nations have expressed strong disapproval towards this proposal.

The UN Security Council's resolution requires Japan and Thailand to submit a report on the outcome of the discussions by 31 October. France and Indonesia, cochairs for the Paris International Conference on Cambodia [PICC], will undertake the discussions. If the Pol Pot faction fails to be more flexible, the UN Security Council may consider taking hard-line measures, including economic sanctions, against the faction in mid-November.

Consultative Committees Proposed

OW2510080192 Tokyo MAINICHI SHIMBUN in Japanese 24 Oct 92 Morning Edition p 7—FOR OFFICIAL USE ONLY

[By Yasuo Kusano]

[Text] Phnom Penh, 23 October—The details of a new proposal submitted by the Japanese and Thai Governments at the talks with the Pol Pot faction held by the two governments were disclosed on 23 October. The talks were regarded as the "last effort at persuasion" to achieve peace in Cambodia. The details were disclosed by Foreign Minister Hor Nam Hong of the Phnoh Penh regime on 23 October.

In August, the Japanese Government made a proposal for setting up an Administrative Consultative Bureau (ACB) to strengthen functions of the Supreme National Council (SNC). The new proposal includes that: 1) in addition to the ACB, a consultative committee (CC) be set up as an executive organ of the ACB in various areas under the control of the four factions, respectively; and that 2) as a precondition, the Pol Pot faction will abide by the Paris peace agreement and agree to disarmament and demobilization by the UN Transitional Authority in Cambodia (UNTAC).

After briefing Foreign Minister Nam Hong on the proposal, representatives of both the Japanese and Thai Governments made the proposal to Chairman Khieu Samphan of the Pol Pot faction in written statements. While waiting for the Pol Pot faction's reply, the tripartite meeting will be held on 30 October.

The Pol Pot faction has expressed its dissatisfaction that "the UNTAC peace process has given advantages to the Phnom Penh regime." In view of such dissatisfaction, the proposal of setting up the ACB, which will be responsible for reflecting the SNC demands to the UNTAC, has been made. The Pol Pot faction has made a counter-proposal for setting up consultative committees not at ministries and agencies under the Phnon Penh government but at headquarters of various regions under the control of various factions. The original proposal has been revised to include this demand.

Since the Phnom Penh regime has opposed these proposals, saying that "they would result in deviation from the Paris peace agreement," a precondition concerning the Pol Pot faction's cooperation in disarmament and demobilization has been included in the revised proposal.

Foreign Minister Nam Hong stressed that "whatever the proposal, what is most important is to include a precondition on ensuring the Pol Pot faction's cooperation in disarmament." Since there is extremely little possibility that the Pol Pot faction would agree to this conditional proposal, it will be difficult to hold the meeting as scheduled at the end of the month.

UNTAC Head Interviewed on Political Situation

OW2810035592 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 Oct 92 Evening Edition p 1—FOR OFFICIAL USE ONLY

[Report on an interview with Yasushi Akashi, head of the UN Transitional Authority in Cambodia, by NIHON KEIZAI SHIMBUN in Phnom Penh on 24 October; filed by reporter Asami]

[Text] Phnom Penh, 24 October—In an interview with a NIHON KEIZAI SHIMBUN reporter on 23 October, Yasushi Akashi, head of the UN Transitional Authority in Cambodia (UNTAC), disclosed that even after next summer, when the UN trusteeship in Cambodia expires, some UNTAC organizations will continue to function there. Mr. Akashi also suggested that UNTAC's administrative organization would be reduced, but its military organization would continue to function. He is believed to have expressed this view taking into account a request from Norodom Sihanouk, chairman of the Supreme National Council [SNC]. In the interview he also indicated that a deadline for the Pol Pot faction, which is refusing to disarm, has been set for 1 December to decide whether to participate in the general election.

In the interview, Akashi said UNTAC itself would pull out of Cambodia in August or September of next year as planned. He revealed that SNC Chairman Sihanouk told him "Cambodia still needs the presence of the United Nations even atter UNTAC withdraws," however. The United Nations has firmed up plans to keep some UNTAC organizations operating in Cambodia in order to ensure the peace process following the general elections, and the plan will be formally decided by the UN Security Council.

Japan and Thailand are working to persuade the Pol Pot faction, and their efforts will continue until the end of October. Commenting on efforts by the two countries to persuade the faction, Mr. Akashi expressed a pessimistic view, saying the "Pol Pot faction is showing no signs of softening its attitude." He also indicated the possibility that France and Indonesia would continue to try and persuade the faction after next month.

As regards the general elections scheduled for next spring, Mr. Akashi said the deadline for the Pol Pot faction to decide whether to participate is 1 December of this year. So far the Pol Pot faction has refused to disarm, which is a prerequisite for holding general elections. Mr. Akashi made clear that if the Pol Pot faction expresses its intention to participate in the general elections next January or February, "there is room to open the door for the faction," however.

Vietnam

Map of Russian Cam Ranh Bay Base Disclosed

OW2510062592 Tokyo YOMIURI SHIMBUN in Japanese 23 Oct 92 Morning Edition p 4—FOR OFFICIAL USE ONLY

[By reporter Junichi Hasegawa]

[Text] Singapore, 22 October—YOMIURI SHIMBUN recently obtained a map showing the full picture of a Russian Army base at Cam Ranh Bay, located in the middle south of Vietnam. The governments of Russia and Vietnam have strongly objected to the disclosure of information on the base, a military strongpoint, even after the collapse of the Soviet Union and Vietnam's adoption of a renovation program (Doi Moi). On 22 October YOMIURI SHIMBUN obtained the latest map of facilities on the base from the Southeast Asia Research Institute [SARI; name as published], a Singaporean Government-affiliated organization. The map shows a communications monitoring facility built near the mouth of the bay and newly-built storage tanks. It also shows strategic bombers and naval intelligence collection ships stationed at the base. The communications monitoring facility covers the area from the Strait of Malacca to Central China. A military intelligence source in Singapore asserts that "it is obvious that the facilitiy is monitoring Chinese Army movements."

According to the SARI, the construction of the monitoring facility began immediately after the former Soviet Army started using Cam Ranh Bay as a military strongpoint in March, 1979. In 1981, two "FIX-24" high frequency direction finders were put in use, enabling the Russian Army to monitor communications 2,800 kilometers away.

The monitoring is being conducted for both strategic and tactical purposes. A Russian reconnaissance satellite and two communications monitoring facilities in Hanoi and Da Nang complement the monitoring system at the base. Since U.S. Forces have revealed their plan to withdraw from bases in the Philippines, this important monitoring point has shifted to the Chinese Army.

It is obvious that the subjects of Russia's monitoring involve the South China Sea Fleet Headquarters in the Leizhou Peninsula in southmost China and a base on the Hainan Island, at which the Third Submarine Fleet is deployed. By monitoring communications from these bases, Russia can detect Chinese movements related to the Spratly (Nansha) Islands in the South China Sea, where some Asian countries have claimed title.

Also, the FIX-24s can monitor communications from ballistic missiles deployed in central China. Russian experts reportedly analyze the monitored information.

The number of troops deployed in the base, which was 4,000 in 1989, has been cut drastically. A company composed of 14 MiG-23s was withdrawn in January 1990. Now only about five Tupolev Tu-95 strategic bombers (nicknamed Bears) are deployed at the base's airport, which has two 3,000-meter runways. Tu-16s (Badgers) are not seen at the airport any more.

There are seven piers at the port in the base, where intelligence collection ships are anchored all the time. Portcalls by large fleets have not been seen lately, however.

After the collapse of the Soviet Union, Russia announced a full withdrawal from the base at Cam Ranh Bay and it reportedly began negotiations with Vietnam. At an expanded meeting of foreign ministers for the Association of Southeast Asian Nations (ASEAN) in Manila last July, Russian Foreign Minister Andrey Kozyrev revealed a change in the withdrawal plan and indicated Russia's intentions—to maintain the base for future use, however.

The same military intelligence source pointed out that behind the change in the withdrawal plan lies Russia's sense of crisis that the Chinese Army, which is capable of deploying forces on the high seas, might fill the military vacuum created after U.S. Forces withdrew from the Philippines.

Vietnam has opened main ports in Da Nang and Haiphong to foreign enterprises based on its Doi Moi program. It has refused to disclose information on the base at Cam Ranh Bay, however. Thus, the functions and actual conditions of the base have been kept secret.

Japan Asked To Consider 30 Projects for ODA

OW2510062792 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Oct 92 Morning Edition p 5—FOR OFFICIAL USE ONLY

[Text] Vu Ngoc Xuan, deputy director of the Industry Bureau under the SRV State Planning Commission, is currently visiting Japan to participate in the World Business Convention. On 20 October the SRV official disclosed that, in the event that Japan fully resumes its official development assistance (ODA) program, he planned to request the Japanese Government to consider a total of 30 projects for this program, with the project for expanding the Hanoi-Haiphong highway as a top priority. The SRV does not plan to use funds from the Japanese ODA program for developing its oil deposits, but instead it plans to employ the program mainly for building up social infrastructure, including roads, bridges, and harbors. This is the first time that the SRV side has presented concrete proposals for consideration under the ODA program in the realm of industrial projects.